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APPENDIX

TO THE

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SESSION 1904

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OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1905

REPORT

OF THE

SELECT COMMITTEE OF THE SENATE

ON

POSITION IN CANADA OF THE MUTUAL RESERVE
FUND LIFE ASSOCIATION OF NEW YORK

SESSION 1904



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1905

ORDER OF REFERENCE.

(Extract from Minutes of Proceedings of the Senate of Canada, Wednesday, 18th June, 1904.)

'The Honourable Mr. Landry rose to a question of privilege, and moved, seconded by the Honourable Mr. Domville,

That an Order of this House do issue for the attendance at the Bar of this House of J. Douglas Wells, of New York, to answer such questions as may be put to him relative to declaration he is alleged to have made, that there were Members of Parliament, of the Committee, and of the Government, that had to have good sums, that it cost him over \$10,000, that he had found all the money, excepting for the last bill for a small amount.

After Debate,

The Honourable Mr. Gibson, in amendment, moved, seconded by the Honourable Mr. Watson,

That all the words after "That" to the end of the question be struck out, and the following words be substituted instead:—"Messrs. J. Douglas Wells and George D. Eldridge, of New York, be summoned to appear before the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association, of New York, in order to answer such questions as may be put to them, relative to declarations alleged to have been made by Mr. Wells, that there were Members of Parliament, of the Committee, and of the Government, that had to have good sums, that it cost him over \$10,000, that he had found all the money, excepting for the last bill for a small amount."

The question being put on the amendment to the main motion, it was, on a division, resolved in the affirmative, and

Ordered accordingly.'

MINUTES

OF THE

SELECT COMMITTEE APPOINTED TO INVESTIGATE THE POSITION
IN CANADA OF THE MUTUAL RESERVE FUND
LIFE ASSOCIATION OF NEW YORK.

EXTRACT from the Minutes of Proceedings of the Senate of Canada, Thursday, 19th May, 1904.

“Ordered, That a Select Committee of five be appointed to investigate the position of the Mutual Reserve Fund Life Association of New York in Canada, with power to send for papers, persons, telegrams and records, to employ clerical services, and with leave to report from time to time, the Committee to be composed of the Honourable Messieurs Legris, Baker, Cloran, Landry and the mover.”

THE SENATE,
COMMITTEE ROOM No. 2,
FRIDAY, 20th May, 1904.

Pursuant to Rule and notice, the Committee met this day at 2.30 p.m.

Present the Honourable Messieurs Baker, Cloran, Domville, Landry—4.

The Law Clerk having called the Committee to order, read the Order of appointment, and requested the Committee to elect a chairman.

On motion of the Honourable Mr. Domville, it was

Resolved that the Honourable Mr. Cloran be the chairman of this Committee.

The Honourable Mr. Cloran took the chair.

On motion of the Honourable Mr. Domville, it was

Resolved that, unless otherwise ordered, when this Committee adjourns on any day, the next meeting of the Committee shall be held at such time, place and hour as may from time to time be appointed by the chairman, due regard being had to the convenience of all persons concerned in the investigation, and proper notice thereof to be given; and that any such appointment may be varied by the chairman, if in his opinion it is necessary so to do.

On motion of the Honourable Mr. Domville, it was

Resolved to report to the Senate recommending that express authority be given this Committee to examine witnesses on oath, or on affirmation where affirmation is allowed by law.

On motion of the Honourable Mr. Domville, it was

Resolved that the chairman be empowered to summon from time to time such witnesses as any member of this Committee, or the Minister of Finance or his representative in the proceedings before this Committee, or the Mutual Reserve Fund Life Association or its counsel or other representative in the proceedings before this Committee, may from time to time designate as likely to give evidence, material and important in the investigation to be made by this Committee.

On motion of the Honourable Mr. Domville, it was

Ordered that notice be sent to the Department of Finance and to the Mutual Reserve Fund Life Association of New York, that this Committee has been organized,

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and will proceed with the investigation at a date not earlier than the 2nd June next, of which further notice will be given, and to request that they will communicate to the Committee the names and addresses of any persons whom they may desire to have summoned to give evidence before the Committee.

The Committee then adjourned to the call of the chairman.

(Attest)

J. G. A. CREIGHTON,
*Law Clerk of the Senate,
Clerk of Committees.*

THE SENATE,
COMMITTEE ROOM No. 2,
FRIDAY, 3rd June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10.30 a.m.

Present the Honourable Messieurs Cloran, chairman; Domville, Landry, Legris—4.

It was

Resolved to report recommending that the Committee be authorized to employ counsel to assist the Committee in the conduct of their inquiry.

The Honourable Mr. Domville submitted a list of witnesses whom he desired summoned to attend before the Committee.

Ordered that the Law Clerk send a letter to each of the persons named in the said list, requesting his attendance before the Committee to give evidence on oath on a day to be fixed later whereof notice will be given by telegram. The letters to be handed to the Honourable Mr. Domville for delivery to the witnesses.

The Committee then adjourned to the call of the chairman.

(Attest)

J. G. A. CREIGHTON,
*Law Clerk of the Senate,
Clerk of Committees.*

THE SENATE,
COMMITTEE ROOM No. 8,
WEDNESDAY, 8th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10.30 a.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Domville, Landry, Legris—5.

After discussion on the order of business, the Committee adjourned till to-morrow, Thursday, 9th June, at 10 a.m., pending the action of the Senate.

(Attest)

J. G. A. CREIGHTON,
*Law Clerk of the Senate,
Clerk of Committees.*

APPENDIX No. 1

THE SENATE,

COMMITTEE ROOM No. 8,

THURSDAY, 9th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Domville, Landry, Legris—4.

The following extract from the Minutes of Proceedings of the Senate of Canada for Friday, 3rd June, was read:—

“The Honourable Mr. Cloran, from the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, presented their Second Report.

“Ordered, That it be received, and

“The same was read by the Clerk, and it is as follows:—

“THE SENATE,

“COMMITTEE ROOM, No. 2,

“FRIDAY, 3rd June, 1904.

“The Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, beg leave to make their Second Report, as follows:—

“Your Committee recommend that they be authorized to employ counsel-at-law to assist and advise them in the conduct of their inquiry.

“All of which is respectfully submitted.

“H. J. CLORAN,

“*Chairman.*”

Also the following extract from the Minutes of Proceedings of the Senate of Canada for Wednesday, 8th June, was read:—

“The House, according to Order, proceeded to the consideration of the Second Report of the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York.

“The Honourable Mr. Cloran moved, seconded by the Honourable Mr. Domville,

“That the said Report be adopted.

“After Debate,

The Honourable Mr. Young in amendment moved, seconded by the Honourable Mr. Béique,

“That the consideration of the said Report be postponed until to-morrow.

“The question of concurrence being put on the amendment to the main motion, it was resolved in the negative.

“The question then being put on the main motion, it was resolved in the affirmative, and

“Ordered accordingly.”

On motion of the Honourable Mr. Domville, it was

Resolved that C. J. Coster, Esq., K.C., be retained as counsel to advise and assist this Committee.

On motion of the Honourable Mr. Landry, it was

Resolved that the chairman be authorized to arrange with C. J. Coster, Esq., K.C., the amount of his retainer and remuneration for professional services to be rendered to this Committee.

On motion of the Honourable Mr. Landry, it was

Resolved that Mr. George C. Holland, Official Reporter of the Senate, be employed to make a report in shorthand of the evidence taken before this Committee, and for

clerical services required by members of the Committee, and by the counsel retained to advise and assist the Committee.

Resolved to proceed with the hearing of evidence as to the position in Canada of the Mutual Reserve Fund Life Association of New York, on Wednesday, 15th June, at 10 a.m.

Ordered that notice that the Committee will so proceed be sent to the Mutual Reserve Fund Life Association of New York, and that the Association be also notified to produce then such documents as are specified in a list to be prepared by the Committee's counsel.

The Honourable Mr. Domville laid before the Committee the following documents relating to the Mutual Reserve Life Insurance Company:—

No. 1. Copy of Annual Statement for the year ending 31st December, 1903, of the condition and affairs in Canada of the Mutual Reserve Life Insurance Company.

No. 2. Copy of the Annual Statement of the Mutual Reserve Life Insurance Company of New York to the Insurance Department of the State of New York for the year ended December 31st, 1903.

No. 3.—Copies of statements relating to the business, assets and liabilities of the Mutual Reserve Life Insurance Company.

The following extract from the Minutes of Proceedings of the Senate of Canada for Wednesday, 8th June, 1904, was read, namely:—

“The Honourable Mr. Landry rose to a question of Privilege, and moved, seconded by the Honourable Mr. Domville,

“That an Order of this House do issue for the attendance at the Bar of this House of J. Douglas Wells, of New York, to answer such questions as may be put to him relative to declaration he is alleged to have made, that there were Members of Parliament, of the Committee, and of the Government, that had to have good sums, that it cost him over \$10,000, that he had found all the money, excepting for the last Bill, for a small amount.

“After Debate,

“The Honourable Mr. Gibson in amendment moved, seconded by the Honourable Mr. Watson,

“That all the words after “That” to the end of the question be struck out, and the following words be substituted instead: “Messrs. J. Douglas Wells and George D. Eldridge, of New York, be summoned to appear before the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, in order to answer such questions as may be put to them, relative to declarations alleged to have been made by Mr. Wells, that there were Members of Parliament, of the Committee, and of the Government, that had to have good sums, that it cost him over \$10,000, that he had found all the money, excepting for the last Bill, for a small amount.”

“The question being put on the amendment to the main motion, it was, on a division, resolved in the affirmative, and

“Ordered accordingly.”

Resolved that the Committee proceed at once with the investigation of the matter referred to in the above Order of the Senate.

Ordered that a summons be issued to George D. Eldridge, Vice-president of the Mutual Reserve Fund Life Association of New York, to appear and give evidence before this Committee in the matter referred to in the above Order of the Senate, on Friday, 10th June, at 10 a.m.

James Douglas Wells, Esq., of New York, insurance manager, was examined upon oath, and his evidence was taken down by the official reporter. (*Vide* page 1 of Part I., Minutes of Evidence, which appear further on).

During the examination of this witness the following exhibits were filed:—

Exhibit A.—Memo. of disbursements by J. D. Wells.

Exhibit B.—Copy of letter dated Flatbush, March 18th, 1899, to Frank R. Lawrence, signed J. D. Wells.

APPENDIX No. 1

Exhibit C.—Copy of letter dated Flatbush, April 7th, 1899, addressed F. R. Lawrence, signed J. D. Wells.

Ordered that the witness be discharged from attendance in the matter of privilege now being investigated.

On motion of the Honourable Mr. Landry, the Committee then adjourned until Friday, June 10th, at 10 a.m.

(Attest)

J. G. A. CREIGHTON,
*Law Clerk of the Senate,
Clerk of Committees.*

THE SENATE,
COMMITTEE ROOM No. 2,
FRIDAY, 10th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Domville, Landry, Legris—4.

The Committee resumed the inquiry into the matter of privilege referred to them by Order of the Senate made on Wednesday, 8th June. George D. Eldridge, of the city of New York, Vice-president of the Mutual Reserve Life Insurance Company, appeared before the Committee in obedience to the summons issued for his appearance.

A. E. Aylesworth, Esq., of Toronto, King's Counsel, appeared before the Committee, and made the following statement:—

“I appear with Mr. Eldridge as his counsel, and ask the privilege of being heard on his behalf, and examining him after such questions have been put to him as the members of the Committee think desirable.”

Resolved that the application of Mr. Aylesworth be not entertained, the Committee being of opinion that Mr. Eldridge is in attendance merely as a witness.

On motion of the Honourable Mr. Landry, the said George D. Eldridge was then examined upon oath, duly administered by the chairman, and his evidence was taken down by the official reporter. (*Vide* page 6 of Part I., Minutes of Evidence, which appear further on).

During the examination of the witness the following exhibits were filed:—

Exhibit D.—Printed copy of affidavit of George D. Eldridge sworn before G. B. Clarkson, notary public, for the county of New York, on the 31st July, 1899, together with Exhibit A referred to in said affidavit.

(NOTE.—This exhibit is contained in, and consists of pages 48, 49, 50, 51, 52, 53, and the first thirteen lines of page 54, of a pamphlet produced by the witness, entitled “Insurance Department State of New York.—In the matter of Mutual Reserve Fund Life Association of New York City.—Answer of Association and Officers.—Dated July 26th, 1899.—Deposition of Isaac Vanderpool, Esq., Chief Examiner, New York Insurance Department, dated April 2nd, 1900.”)

Exhibit E.—This exhibit is contained in and consists of lines ten to twenty-two, inclusive, on page 9 of a printed statement intitled “In re motion pending before the Honourable the Senate of Canada, in Parliament assembled, for a Committee to investigate the affairs of the Mutual Reserve Life Insurance Company.”

Ordered that the witness, George D. Eldridge, do attend before this Committee on Wednesday, 15th June instant, at 10 o'clock in the forenoon, and that he produce with him then and there the documents and papers mentioned in a list to be furnished to the witness to-day by the counsel appointed to advise and assist the Committee.

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Ordered that the Law Clerk forward to Angus MacMurchy, Esq., K.C., of Toronto, as solicitor for the company, duplicates of any official communications which the Law Clerk may be instructed to direct to the company at its head office in New York.

The Committee then adjourned till Wednesday, 15th June, at 10 o'clock in the forenoon.

(Attest)

J. G. A. CREIGHTON,
Law Clerk of the Senate,
Clerk of Committees.

THE SENATE,
COMMITTEE ROOM No. 8,
WEDNESDAY, June 15th, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Domville, Landry, Legris—4.

C. J. Coster, Esq., K.C., appeared of counsel for the Committee. A. B. Aylesworth, Esq., K.C., and Angus MacMurchy, Esq., K.C., appeared of counsel for the Mutual Reserve Life Association Company.

The following telegram was submitted by the Law Clerk, and was read:—

“ June 14th, 1904.

“ To J. G. A. Creighton,
Law Clerk of the Senate.
From New York, N.Y.

Order received ten-thirty Monday morning. Physical impossibility to reach Ottawa with any material by ten Wednesday. Hope to have preliminary answer in Ottawa Thursday.

GEO. D. ELDRIDGE.”

Counsel for the company applied for a delay of proceedings for twenty-four hours, on the ground that no indication has been given to the company of what charges they have to meet.

Resolved, unanimously, to proceed with the inquiry.

Counsel for the company objected to the Committee proceeding with the investigation, on the ground that the Honourable Mr. Domville, one of the members of the Committee, is directly and pecuniarily interested in the matters to be inquired into, and that legal proceedings by him against the company relating to the said matters are now pending.

Resolved, unanimously, to proceed with the inquiry.

John M. Stevenson, of Brooklyn, in the State of New York, manager of the Metropolitan Department of the North American Life Insurance Company of Toronto, was duly sworn by the chairman, was examined upon oath, and his evidence was taken down by the official reporter. (*Vide* page 21 of Part II., Minutes of Evidence, which appear further on).

During the examination of this witness the following exhibits were produced and filed:—

No. 1.—Constitution and By-laws of the Mutual Reserve Fund Life Association

No. 2.—Memorandum, written in lead pencil, and headed “Amount of business written and approved—1894 to 1898, inclusive.”
Company.

APPENDIX No. 1

No. 3.—Copy of letter from Mr. Burnham to Mr. Stevenson, dated April 1st, 1897.

No. 4.—Copy of letter from Mr. Burnham to Mr. D. Moss, dated April 1st, 1897.

No. 5.—Copy of Draft of Form of Requisition to Auditor of Accounts, for voucher.

It was moved by the Honourable Mr. Landry, seconded by the Honourable Mr. Domville, to report recommending that the quorum of the Committee be reduced to three members.

The Committee divided thereon.

Yeas:—The Honourable Messieurs Cloran, Domville, Landry—3.

Nays:—The Honourable Mr. Legris—1.

So it was

Resolved in the affirmative.

The Committee then adjourned till to-morrow, Thursday, 16th June, at 10 a.m.

(Attest)

J. G. A. CREIGHTON,

Law Clerk of the Senate.

Clerk of Committees.

THE SENATE,

COMMITTEE ROOM No. 8,

THURSDAY, 16th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, de Boucherville, Cox, Domville, Gibson, Landry, Legris, Loughheed, McMullen, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson, Wood—17.

The following Order of the Senate, made 15th June instant, was read:—

Extract from Minutes of Proceedings of the Senate of Canada, Wednesday, 15th June.

“The Honourable Mr. Legris moved, seconded by the Honourable Mr. Young,

“That the Select Committee appointed to investigate the position of the Mutual Reserve Fund Life Association of New York in Canada be enlarged to twelve members by the addition of the names of the following Senators:—The Honourable Messieurs Cox, Watson, Wood, Loughheed, Béique, Gibson, and Sir Alphonse Pelletier.

“After Debate,

“The Honourable Mr. Bolduc, in amendment, moved, seconded by the Honourable Mr. Landry,

“That the names of the Honourable Messieurs de Boucherville, McSweeney, Robertson, Bernier, Sullivan, McMullen and Wilson be added thereto.

“The question of concurrence being put on the amendment to the main motion, it was resolved in the affirmative.

“The question of concurrence being put on the main motion, as amended, the same was resolved in the affirmative, and

“Ordered accordingly.”

On motion of the Hon. Mr. Legris, it was

Resolved to report recommending that the quorum of the Committee be reduced to five (5) members.

The Committee then proceeded with the inquiry.

C. J. Coster, Esq., K.C., appeared of counsel for the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the New York Mutual Reserve Insurance Company.

The official report of the evidence taken yesterday was read over to the Committee.

The examination of John M. Stevenson was then continued. (*Vide* page 36 of Part II., Minutes of Evidence, which appear further on).

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Exhibit No. 6 was filed, being two extracts from pages 9 and 10 of a pamphlet entitled "Report of the Superintendent and Examiner of the Insurance Department on the Examination of the Mutual Reserve Fund Life Association of New York City. As of May 16th, 1899."

Ordered that the witness, John M. Stevenson, be allowed to read over the short-hand report of the evidence given by him, and that, if he desires to make any corrections therein, he may add such corrections at the end of the report under his signature.

Ordered that the said John M. Stevenson be discharged from attendance on the Committee.

Ordered that the said John M. Stevenson be paid, according to Rule 88 of the Senate, a reasonable sum for his attendance, and also for his travelling expenses, the same to be fixed by the chairman.

Ordered that George D. Eldridge, Vice-president of the Mutual Reserve Fund Life Association of New York, be examined at the meeting of the Committee to-morrow.

The Committee then adjourned till to-morrow, the 17th June, at 10 a.m.

(Attest)

J. G. A. CREIGHTON,

Law Clerk of the Senate,

Clerk of Committees.

THE SENATE,

COMMITTEE ROOM No. 2,

FRIDAY, June 17th, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Cox, Domville, Gibson, Landry, Loughed, McSweeney; Pelletier, Sir Alphonse; Robertson, Watson, Wood—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company of New York.

The following Orders of the Senate were read:—

Extract from Minutes of Proceedings of the Senate of Canada, Thursday, 16th June, 1904.

"The Honourable Mr. Cloran, from the Select Committee appointed to consider the position in Canada of the Mutual Reserve Fund Life Association of New York, presented their Fourth Report.

"Ordered, That it be received, and

"The same was then read by the Clerk, and it is as follows:—

"THE SENATE,

"COMMITTEE ROOM No. 2,

"THURSDAY, 16th June, 1904.

"The Select Committee appointed to consider the position in Canada of the Mutual Reserve Fund Life Association of New York, beg leave to make their Fourth Report, as follows:—

"Your Committee recommend that their quorum be reduced to five (5) members.

"All which is respectfully submitted.

"H. J. CLORAN,

"Chairman.

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"The Honourable Mr. Cloran moved, seconded by the Honourable Mr. Landry,

"That the said Report be adopted, and that the said Committee be authorized to cause the evidence taken before it to be printed, and distributed to all members of the Senate.

"The question of concurrence being put thereon, the same was resolved in the affirmative, and

"Ordered accordingly."

Ordered that the chairman be authorized to settle as to printing of evidence and the number of copies required.

George D. Eldridge, of the city of New York, Vice-president of the Mutual Reserve Life Insurance Company of New York, was duly sworn by the chairman, and was examined upon oath, and the evidence given by him was taken down by the official reporter. (*Vide* page 61 of Part II., Minutes of Evidence, which appear further on).

During his examination the following exhibits were filed:—

Exhibit No. 7.—Extracts from printed statement entitled "In re motion pending before the Honourable the Senate of Canada, in Parliament assembled, for a Committee to investigate the affairs of the Mutual Reserve Life Insurance Company."

NOTE.—It was ordered by the Committee that those portions only of this exhibit which are marked are to be printed.

Exhibit No. 8.—Certified copy of the Last Will and Testament of the late Edward B. Harper, of the city of New York, formerly president of the Mutual Reserve Fund Life Association of New York.

Exhibit No. 9.—Copy of letter dated 25th June, 1898, from J. W. Vrooman, treasurer, to F. A. Burnham, president of the Mutual Reserve Life Insurance Company of New York.

The Committee then adjourned until Tuesday, 21st June, at 8 o'clock in the evening.

(Attest)

J. G. A. CREIGHTON,

Law Clerk of the Senate.

Clerk of Committees.

THE SENATE,

COMMITTEE ROOM No. 8,

TUESDAY, 21st June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 8 o'clock p.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Bernier, de Boucherville, Cox, Domville, Gibson, Landry, McMullen, McSweeney, Sir Alphonse Pelletier, Watson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination upon oath of George D. Eldridge, Vice-president of the Mutual Reserve Life Insurance Company, was continued.

The Committee then adjourned until to-morrow, Wednesday, 22nd June, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

SELECT COMMITTEE ON THE POSITION OF

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THE SENATE,

COMMITTEE ROOM No. 8,

WEDNESDAY, 22nd June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Domville, Landry, McSweeney, Sir Alphonse Pelletier, Robertson, Watson, Wilson.—8.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge, Vice-president of the Mutual Reserve Life Insurance Company, was continued.

During the said examination the following exhibits were filed:—

Exhibits Nos. 10*a*, 10*b*, 10*c*, 10*d*, 10*e*, 10*f*, 10*g*, being leaflets issued by the Mutual Reserve Fund Life Association of New York.

Exhibit No. 11.—Copy of statement as to real estate and investment expenses.

It was moved by the Honourable Mr. Watson that the Committee do now adjourn. The Committee divided thereon.

Yeas:—The Honourable Messieurs Sir A. Pelletier, Watson, Wilson—3.

Nays:—The Honourable Messieurs Domville, Landry, McSweeney, Robertson—4.
So it was

Resolved in the negative.

On motion of the Honourable Mr. Landry, seconded by the Honourable Mr. McSweeney, the Committee adjourned until to-morrow, Thursday, 23rd June, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

THURSDAY, 23rd June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, de Boucherville, Cox, Dolville, Gibson, Landry, Legris, McMullen, McSweeney, Robertson, Sullivan, Watson, Wilson, Wood—16.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge, Vice-president of the Mutual Reserve Life Insurance Company, was continued.

During the said examination the following exhibit was produced and filed:—

Exhibit No. 12.—Return to Canada as to the company's business, 1885 to 1903.

The Committee adjourned until 8.15 p.m. this day, if the Senate be not then sitting, and if the Senate is then sitting, until to-morrow, Friday, 24th June, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

APPENDIX No. 1

THE SENATE,
COMMITTEE ROOM No. 8,
FRIDAY, 24th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Domville, Gibson, Landry, McMullen, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson, Wood—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Angus MacMurchy, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge, Vice-president of the Mutual Reserve Life Insurance Company, was continued.

During the examination of the said witness certain questions were put to him by the Honourable Mr. Landry, which questions the witness declined to answer. The said questions and replies made thereto were taken down by the shorthand writer employed by the Committee as follow:—

“Q. What is the salary of the president?—A. I respectfully decline to answer.

“Q. What is the salary of the vice-president?—A. I respectfully decline to answer.

“Q. There are two vice-presidents?—A. Yes.

“Q. The same answer applies to both vice-presidents?—A. Yes.

“Q. What is the salary of the secretary?—A. I respectfully decline to answer.

“Q. What is the salary of the treasurer?—A. I respectfully decline to answer.

“Q. Is there any other officer?—A. The comptroller.

“Q. What is the salary of the comptroller?—A. I respectfully decline to answer.

“Q. What is the salary of the medical director?—A. I respectfully decline to answer.

“Q. Is the counsel a member of the Association?—A. I think he is a constitutional officer under the present constitution.

“Q. At all events, if he is, what is his salary?—A. I respectfully decline to answer.

“Q. Is there any other officer?—A. There are two assistant secretaries that are constitutional officers, I think.

“Q. What are the salaries of each of the two assistant secretaries?—A. I respectfully decline to answer.

“Q. Do you know what those salaries are?—A. From memory I could state some of them, and from memory I could not state exactly others.

“Q. You could tell us what is your own?—A. I could.

“Q. But you decline?—A. I respectfully decline to answer.

“Q. Why do you decline?—A. Because I regard the information as coming to me confidentially in my position as chairman of the Executive Committee. I regard it as a matter of great detriment to the policy-holders of the company to have this information spread upon the public records to be printed and scattered broadcast. In addition to that, under the law of the Dominion of Canada, to which we are subject, there is an officer established who has the absolute power to visit our office, and ascertain any information that he may desire in connection with the company; and in addition to that, I have to say that the Insurance Department of New York, in the State of New York, under our jurisprudence, gives absolute credence and faith to every act of the Insurance Department of Canada with reference to Canadian companies, and we are entitled to the same credence and the same treatment in reference to the acts of our own Insurance Department as the acts of the Canadian department are given in reference to Canadian companies. And, furthermore, that my declining to answer is by advice of my counsel.”

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On motion of the Honourable Mr. Landry, seconded by the Honourable Mr. Wilson, it was

Ordered that the witness do answer the said questions.

And the witness persisting in his refusal to answer, it was, on motion of the Honourable Mr. Landry,

Resolved to report at the next sitting of the Senate the refusal of the said George D. Eldridge to comply with the order of the Committee, and to request the action of the Senate thereon.

The examination of the said witness, George D. Eldridge, was then continued.

The following exhibits were filed:—

Exhibit No. 13.—Deposition of Isaac Vanderpool, Esq., Chief Examiner, New York Insurance Department, in the New York Supreme Court, *in re* Mutual Reserve Fund Life Association *vs.* J. Thomson Paterson.

Exhibit No. 14.—Opinion of J. C. Davies, Attorney General of the State of New York, in the matter of the application of James R. Maclay and others, to bring an action to remove Frederick A. Burnham as president of the Mutual Reserve Fund Life Association.

The Committee then adjourned to the call of the chairman.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

MONDAY, 27th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, Bernier, de Boucherville, Domville, McSweeney, Watson, Wood—9.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

George D. Eldridge was re-called.

It was moved by the Honourable Mr. de Boucherville, that the further examination of Mr. Eldridge be not proceeded with at present, in view of the fact that at the last sitting of the Committee the witness who is now about to be examined, Mr. Eldridge, vice-president of the Mutual Reserve Fund Life Association of New York, declined to answer certain questions put to him by an honourable senator of this Committee, that this Committee reported the attitude of the witness to the Senate, and that this Committee asked the honourable Senate to take action in regard to the said attitude of the said witness Eldridge in declining to answer the questions put to him; and that, under the circumstances, this Committee cannot deal with or take evidence from the present witness until the honourable Senate has decided the matter in the first place; that these facts are known to him, Senator de Boucherville, by what transpired in the Senate itself, and that, in his opinion, the examination of the said witness Eldridge cannot be continued until the Senate has decided in the matter; that the Senate decided to postpone the further consideration of it till Tuesday, the 28th June; that the Senate not having taken action in the matter, this Committee ought not to continue the sittings.

In amendment thereto, it was moved by the Honourable Mr. Wood, that the examination of George D. Eldridge be proceeded with.

The Committee divided thereon.

Yeas:—4; Nays:—3.

So it was

Resolved in the affirmative.

APPENDIX No. 1

The examination on oath of George D. Eldridge was then continued.

Exhibit No. 15.—Letter of J. C. Davies, Attorney General of the State of New York, to the Superintendent of Insurance of the State of New York, *re* the bringing of an action against the Mutual Reserve Fund Life Association, was filed.

The Committee then adjourned until Tuesday, 28th June, 1904, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

TUESDAY, 28th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, de Boucherville, Domville, McMullen, McSweeney, Watson, Wilson, Wood—9.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge was continued.

The following exhibits were filed:—

No. 16.—Statement as to premiums received, payments to policy-holders, and expenses.

No. 17.—Certified copy of Report of the State of New York Insurance Department on examination of the Mutual Reserve Fund Life Association of New York city, as of December 31st, 1901.

No. 18.—Certified copy of an extract from minutes of a meeting of the directors of the Mutual Reserve Fund Life Association, February 19th, 1896, as to will of Edward B. Harper, and contingent fund.

No. 19.—Certified copy of an extract from the minutes of a meeting of the directors of the Mutual Reserve Fund Life Association, August 3rd, 1898, as to audit of contingent fund.

No. 20.—Certified copy of an extract from minutes of a meeting of the directors of the Mutual Reserve Fund Life Association, August 10th, 1898, as to contingent fund.

No. 21.—Report of Committee of Board of Directors of the Mutual Reserve Fund Life Association on certain letters of John W. Vrooman to the president and vice-president, this report being exhibit No. 10, contained in pages 87 to 106 of a pamphlet entitled "Insurance Department, State of New York.—In the matter of the Mutual Reserve Fund Life Association of New York city.—Answer of Association and Officers. Dated 26th July, 1899."

On motion of the Honourable Mr. Béique, it was

Resolved that a further report be made to the Senate that the witness, Mr. Eldridge, has volunteered to give for each year the amount in the aggregate, but not in total, paid to the officers of the company, as asked for by the Committee.

The Committee then adjourned until 8.15 p.m. this day.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

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THE SENATE,

COMMITTEE ROOM No. 8,

TUESDAY, 28th June, 1904.

Pursuant to adjournment, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met again this day at 8.15 p.m.

Present the Honourable Messieurs Baker, Béique, Domville, Gibson, Legris, McMullen, McSweeney, Watson, Wilson, Wood—10.

In the absence of the chairman, on motion of the Honourable Mr. McMullen, it was

Resolved that the Honourable Mr. Wood do take the chair.

The Honourable Mr. Wood accordingly took the chair.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee.

A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge was continued.

The Honourable Mr. Cloran, chairman, took the chair.

The Committee adjourned until Wednesday, 29th June, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

WEDNESDAY, 29th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, Domville, Gibson, McMullen, McSweeney, Watson, Wilson, Wood—10.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee.

A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

George D. Eldridge appeared, and by permission of the Committee made certain statements in correction and explanation of his evidence.

James Douglas Wells, of the city of New York, U.S.A., insurance agent, was duly sworn by the chairman, and was examined upon oath. (*Vide* page 233 of Part IV., Minutes of Evidence, which appear further on).

The following exhibits were filed:—

No. 22.—Copy of draft and voucher for payment to Moton D. Moss of \$7,260.

No. 23.—Copy of voucher to the book-keeper of the Mutual Reserve Fund Life Association *re* payment of \$7,260 to Moton D. Moss.

No. 24.—Copy of letter dated 22nd April, 1898, from J. S. Hoffecker, auditor of accounts, to F. A. Burnham, president.

No. 25.—Copy of letter dated 9th July, 1898, from J. S. Hoffecker to J. D. Wells.

No. 26.—Copy of letter dated 3rd August, 1898, from J. S. Hoffecker to F. A. Burnham.

No. 27.—Letter dated 5th July, 1898, from J. D. Wells, second vice-president to F. A. Burnham, president.

No. 28.—Copy of letter dated 18th July, 1898, from J. D. Wells to F. A. Burnham.

No. 29.—Copy of recommendations by Mr. Eldridge, 19th August, 1898.

APPENDIX No. 1

No. 30.—Copy of letter dated 29th October, 1897, from Moton D. Moss, general manager, to J. N. Stevenson, assistant secretary, as to Spiess & O'Connor account. The Committee adjourned until 8.15 p.m. this day.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

THE SENATE,
COMMITTEE ROOM No. 8,
WEDNESDAY, 29th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met again this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, Domville, Legris, McMullen, McSweeney, Watson, Wilson, Wood—10.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. A. B. Aylesworth, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of James Douglas Wells was continued.

The Committee adjourned until to-morrow, Thursday, 30th June, at 10 a.m.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

THE SENATE,
COMMITTEE ROOM No. 8,
THURSDAY, 30th June, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, Domville, Gibson, Legris, McMullen, McSweeney, Watson, Wilson, Wood—11.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee.

Clive Pringle, Esq., barrister-at-law, appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of J. D. Wells was continued.

The following exhibits were filed:—

No. 31.—Certified copies of contracts between Moton D. Moss and Mutual Reserve Fund Life Association.

No. 32.—Letter dated 29th July, 1896, from J. D. Wells to F. A. Burnham. The Committee then adjourned to the call of the chairman.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

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THE SENATE,
COMMITTEE ROOM No. 8,
TUESDAY, 12th July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Landry, Loughheed, McMullen, McSweeney, Sullivan, Watson, Wilson—10.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee.

Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

On application of counsel for the Mutual Reserve Life Insurance Company, James Douglas Wells was re-called, and further examined upon oath. (*Vide* page 284 of Part IV., Minutes of Evidence, which appear further on).

James Thompson Patterson, of the city of New York, insurance agent, was duly sworn by the chairman, and was examined upon oath. (*Vide* page 318 of Part V., Minutes of Evidence, which appear further on).

The following exhibits were filed:—

No. 33.—Statement of Bankers' Life Association.

No. 34.—Comparison between statements in sworn report of Insurance Department, New York State, and statements made by Mutual Reserve Fund Life Association.

The Committee then adjourned until 8.15 p.m. this day.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

THE SENATE,
COMMITTEE ROOM No. 8,
TUESDAY, 12th July, 1904.

Pursuant to adjournment, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met again this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Baker, Béique, de Boucherville, Domville, Gibson, Landry, Loughheed, McMullen, McSweeney, Sir Alphonse Pelletier, Watson, Wilson—13.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of J. Thompson Patterson was continued.

The following exhibit was filed:—

No. 35.—Table showing total income and amount expended in management of each \$1,000 of income, and memorandum as to premium note account, 1902.

Exhibit No. 36.—New York Supreme Court.—Copy of Affidavit, Summons and Verified Complaint.—The Mutual Reserve Fund Life Association (against) John Thompson Patterson,—was produced and filed.

The Honourable Mr. Béique objected to the bill of complaint going on the record, and moved that Exhibit No. 36 be simply marked for identification, and that it be not printed in the evidence.

The Committee divided thereon.

Yeas:—4; Nays:—6.

The motion was declared lost.

APPENDIX No. 1

The Honourable Mr. Béique asked that the names be taken down.

The chairman ruled that there being nothing before the chair the names could not be taken.

Exhibit No. 37.—Comparison between sworn annual statements to Insurance Departments of the State of New York and of the Dominion of Canada, was filed.

It was moved by the Honourable Mr. Landry that the Committee adjourn till to-morrow.

The question being put, the Committee divided thereon.

Yeas:—The Honourable Messieurs Cloran, Domville, Landry, Lougheed, McSweeney, Sullivan—6.

Nays:—The Honourable Messieurs Béique, Gibson, Watson, Wilson—4.

So it was

Resolved in the affirmative.

The Committee adjourned until to-morrow, Wednesday, 13th July, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

WEDNESDAY, 13th July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Gibson, Landry, Legris, Lougheed, McMullen, McSweeney, Sullivan, Watson, Wilson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of James Thompson Patterson was continued.

The following exhibits were filed:—

No. 38.—Table of expenses other than agents' commissions.

No. 39.—Statement as to mortuary receipts used for expenses.

No. 40.—Statement as to cost of new business, 1901-1903, &c., &c.

No. 41.—Statements as to cost of new business *Ætna* Life Insurance Company, *Equitable* Life Assurance Society, and *North-western* Mutual Life Insurance Company, 1901-1903.

No. 42.—Summary of amounts paid to agents, 1890 to 1903.

No. 43.—Statement as to income, disbursements, and net assets.

No. 44.—Statement as to "Selection against the Company," increase of death rate, &c.

The Committee then adjourned until 8.15 p.m. this day.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

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THE SENATE,

COMMITTEE ROOM No. 8,

WEDNESDAY, 13th July 1904.

Pursuant to adjournment, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met again this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Gibson, Landry, Legris, Lougheed, McMullen, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—14.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of J. Thompson Patterson was continued.

The following exhibits were filed:—

No. 45.—Statement as to total death claims paid and death claims compromised.

No. 46.—Comparative statement as to deferred premiums.

It was moved by the Honourable Mr. Lougheed,

That the Committee reconsider its action of the 12th instant in admitting Exhibit No. 36.

In amendment thereto, it was moved by the Honourable Mr. Landry,

That all the words after "That" be struck out, and the following substituted:—

"the Exhibit No. 36, accepted yesterday, the 12th instant, by this Committee, be considered as tending to prove the consideration for which a sum of \$5,000 has been paid by the Mutual Reserve Company to one Patterson, and not as a proof of the truth of the charges which such document contains."

It was objected, by the Honourable Mr. Béique, that the amendment was out of order, on the ground that Exhibit No. 36, having been offered for evidence and received as such, could not now be qualified as sought to be done by the amendment; that, moreover, the said amendment was not in accordance with the facts.

The chairman thereupon ruled that it was in the power of this Committee to qualify its previous action in accepting Exhibit No. 36, and that, inasmuch as the amendment offered was not a flat contradiction of such action nor of the main motion, the amendment was in order.

The question being put upon the amendment, the Committee divided thereon.

Yeas:—The Honourable Messieurs Cloran, Domville, Landry, McMullen, McSweeney, Sullivan, Wilson—7.

Nays:—The Honourable Messieurs Béique, Gibson, Lougheed, Sir Alphonse Pelletier, Watson—5.

So it was resolved in the affirmative.

The Honourable Mr. Béique having appealed from the decision of the chairman, it was

Resolved that the chairman do report the facts to the Senate.

The motion of the Honourable Mr. Lougheed, as so amended, was then carried on the same division.

The Committee then adjourned until to-morrow, Thursday, 14th July, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

APPENDIX No. 1

THE SENATE,
COMMITTEE ROOM No. 2,
THURSDAY, 14th July, 1904.

Pursuant to adjournment, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Landry, Legris, Loughheed, McMullen, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Wilson, Watson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of J. Thompson Patterson was continued.

The Committee then adjourned until 8.15 p.m. this day.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

THE SENATE,
COMMITTEE ROOM No. 8,
THURSDAY, 14th July, 1904.

Pursuant to adjournment, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met again this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Gibson, Loughheed, McMullen, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

Edmond Pendleton, of Richmond, Virginia, U.S.A., was duly sworn by the chairman, and was examined upon oath. (*Vide* page 417 of Part V., Minutes of Evidence, which appear further on).

Ordered that the said witness be discharged from further attendance.

The examination on oath of J. Thompson Patterson was continued.

The Committee then adjourned until Monday, 18th July, at 8.15 p.m.

(Attest)

J. C. YOUNG,
Clerk of the Committee.

THE SENATE,
COMMITTEE ROOM No. 8,
MONDAY, 18th July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Landry, Loughheed, McMullen, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—11.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

On application of counsel for the Mutual Reserve Life Insurance Company, it was Ordered that Mr. Thomas Bradshaw, actuary, of Toronto, Ontario, Vice-president of the Imperial Life Insurance Company, be summoned to attend before the Committee on Wednesday, 20th July instant, at 10 o'clock a.m.

The Honourable Sir Alphonse Pelletier moved that the witness, John Thompson Patterson, be discharged from further attendance on the Committee.

The question being put thereon the Committee divided.

Yeas:—4; Nays:—5.

So it was

Resolved in the negative.

George D. Eldridge was re-called, duly sworn by the chairman and further examined, in rebuttal.

The following exhibits were filed:—

No. 47.—Balance sheet, 1895 to 1901.

No. 48.—Statement as to claims paid at less than face in Canada, 1895 to 1903, both inclusive.

The Committee then adjourned until to-morrow, Tuesday, 19th July, at 10 a.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 2,

TUESDAY, 19th July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Landry, Loughheed, McMullen, McSweeney, Robertson, Sullivan, Watson, Wilson—11.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge, in rebuttal, was continued. (*Vide* page 450 of Part V., Minutes of Evidence, which appear further on).

The following exhibits were filed:—

No. 49.—Statement as to the Bankers' Life Association.

No. 50a, 50b, 50c.—Statements showing expenditure and receipts *re* Moton D. Moss.

No. 51.—Voucher, accounts and memorandum *re* credit to Moton D. Moss for \$37,390.97.

Resolved to report that printed copies of the evidence adduced before the Committee are not furnished as speedily as required, the last printed copy supplied containing the evidence to the 30th June only, the evidence taken since the Senate reassembled on the 11th July not having been printed for the Committee; and that the Committee are informed that this delay is due to the printing being held back, but by whose orders is unknown, no such order having been given by the Senate or by this Committee.

APPENDIX No. 1

The Committee then adjourned until 8.15 p.m. this day, or if the Senate be then sitting, until 10 a.m. to-morrow, Wednesday, 20th July.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

TUESDAY, 19th July, 1904.

The Senate sitting this evening, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York did not meet.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 8,

WEDNESDAY, 20th July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Landry, Loughheed, McMullen, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The Honourable Mr. Landry moved that the Superintendent of Printing be summoned to appear before this Committee to give reasons for the delay in the printing of the evidence.

The question being put thereon the Committee divided.

Yeas:—6; Nays:—3.

So it was

Resolved in the affirmative.

The examination on oath of George D. Eldridge, in rebuttal, was continued.

The following exhibits were filed:—

No. 52.—Certified copy of endorsement on indictment filed 4th June, 1901, by the Grand Jury, county of New York, against James Thompson Patterson.

No. 53*a*, 53*b*, 53*c*, 53*d*, 53*e*.—Comparative tables as to expenses in Canada.

No. 54.—Memorandum and statement as to determination of proper share of expenses chargeable to Canadian assessment business.

The Committee then adjourned until 8.15 p.m. this day, or if the Senate is then sitting, until 10.15 a.m. to-morrow, Thursday, 21st July.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

SELECT COMMITTEE ON THE POSITION OF

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THE SENATE,

WEDNESDAY, 20th July, 1904.

The Senate being then sitting, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, did not meet this evening at 8.15 p.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

COMMITTEE ROOM No. 2,

THURSDAY, 21st July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10.15 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Domville, Landry, Lougheed, McMullen, McSweeney, Watson, Wilson—9.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

The examination on oath of George D. Eldridge, in rebuttal, was continued.

Thomas Bradshaw, of the city of Toronto, actuary, and vice-president of the Imperial Life Insurance Company of Canada, was duly sworn by the chairman, and was examined upon oath. (*Vide* page 516 of Part VIII., Minutes of Evidence, which appear further on).

The Committee then adjourned until 8.15 p.m. this evening, or if the Senate be then sitting, until 10 a.m. to-morrow, Friday, 22nd July.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

THE SENATE,

THURSDAY, 21st July, 1904.

The Senate being then sitting, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York did not meet this evening at 8.15 p.m.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

APPENDIX No. 1

THE SENATE,

COMMITTEE ROOM No. 8,

FRIDAY, 22nd July, 1904.

Pursuant to adjournment and notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 10 a.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Bernier, Domville, Landry, Loughheed, McSweeney, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—12.

C. J. Coster, Esq., K.C., appeared of counsel to advise and assist the Committee. Victor Geoffrion, Esq., K.C., appeared of counsel for the Mutual Reserve Life Insurance Company.

J. L. Culbert, of the city of Ottawa, insurance agent, was duly sworn by the chairman, and was examined upon oath. (*Vide* page 527 of Part VIII., Minutes of Evidence, which appear further on).

Ordered that the witness Thomas Bradshaw be discharged from further attendance on the Committee.

Ordered that the witness John L. Culbert be discharged from further attendance on the Committee.

The examination on oath of George D. Eldridge, in rebuttal, was continued.

Exhibit No. 55.—Cost of construction of the Home Office building, was filed.

John A. Hyland, of New York, book-keeper of the Mutual Reserve Life Insurance Company, was duly sworn by the chairman, and was examined upon oath.

Ordered that the said witness be discharged from further attendance on the Committee.

James Dalton, of the city of Ottawa, assistant clerk of English Journals, House of Commons, was duly sworn by the chairman, and was examined upon oath.

Ordered that the said witness be discharged from further attendance on the Committee.

It was moved by the Honourable Mr. Landry that the Committee rise and report the evidence to the Senate.

In amendment thereto, it was moved by the Honourable Mr. Béique, that, before the Committee rise the evidence of Messrs. Cannon and Cameron be heard in reference to the charge as published in part one of the evidence taken before this Committee, the said two witnesses being now in attendance.

The question being put upon the amendment, the Committee divided thereon.

Yeas:—3; Nays:—7.

So it was

Resolved in the negative.

The question being then put on the main motion of the Honourable Mr. Landry, it was, on the same division, reversed.

Resolved in the affirmative.

The Committee then adjourned.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

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THE SENATE,

COMMITTEE ROOM No. 8,

THURSDAY, 28th July, 1904.

Pursuant to notice, the Select Committee appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York met this day at 8.15 p.m.

Present the Honourable Messieurs Cloran, chairman; Béique, Bernier, Domville, Landry, McMullen, Sir Alphonse Pelletier, Robertson, Sullivan, Watson, Wilson—11.

The chairman submitted to the Committee a draft prepared by C. J. Côté, Esq., K.C., counsel appointed to advise and assist the Committee, of a proposed report, containing a summary of the evidence taken before the Committee.

The Honourable Messieurs Béique, Sir A. Pelletier and Watson protested against the presentation and reading of the said draft report, and requested that their protests be entered of record.

The Honourable Mr. McMullen moved that the said draft report be read by the chairman.

The question being put thereon the Committee divided.

Yeas:—6; Nays:—3.

So it was

Resolved in the affirmative.

The said draft report was then read by the chairman, and is as follows:—

The Honourable Mr. McMullen moved that the draft report just read by the chairman be accepted as read, and reported to the Senate by the chairman.

The question being put thereon the Committee divided.

Yeas:—5; Nays:—3.

So it was

Resolved in the affirmative.

The Honourable Messieurs Béique, Sir A. Pelletier and Watson again entered their protests against such action.

Resolved that the Committee do rise and report the proceedings.

(Attest)

J. C. YOUNG,

Clerk of the Committee.

N.B.—The said Report was later on declared null and void by the Senate, and ordered not to appear in the Journals.

MINUTES OF EVIDENCE

MINUTES OF EVIDENCE

PART 1.

THE SENATE, OTTAWA,
COMMITTEE ROOM No. 8,
THURSDAY, June 9, 1904.

JAMES DOUGLAS WELLS, of the City of New York, was called, and having been duly sworn by the Chairman of the Committee, was questioned by C. J. Coster, Esq., K.C., Counsel appointed by the Committee to advise and assist them, and deposed as follows:—

Q. You reside in New York?—A. I do.

Q. You were vice-president of the Mutual Reserve Fund Life Association?—A. I was one of its vice-presidents.

Q. How long were you connected with the company?—A. In Canada I was connected with the company from 1884 until 1890.

Q. Altogether how long were you?—A. From 1884 until 1899.

Q. Have you read the minutes of the Senate Debates of the nineteenth of May, 1904?—A. I have.

Q. You heard what purported to be the report of the Insurance Department of the State of New York read by the Hon. Mr. Kerr, of Toronto?—A. I did.

Q. Would you look at that on page 231 of the Revised Edition of the Senate Debates? The statement is made there of an alleged statement of yours, that there had been good round sums paid out, that there were Members of Parliament, of the Committee and of the Government that had to have good sums, and that it cost him (that is yourself) over \$10,000, that he had found all the money excepting for the last bill for a small amount. Did you make any such statement as that?—A. I did not. That is absolutely false in every particular.

Q. With whom are you supposed to have had this conversation?—A. With Mr. Eldridge.

Q. Did you have any conversation with Mr. Eldridge at that time?—A. I did.

Q. When this evidence and memorandum is referred to? Did you have a memorandum with you at the time?—A. I did not take a memorandum with me at the time.

Q. Was there a memorandum there?—A. Mr. Eldridge had a memorandum there.

Q. Who made that memorandum?—A. That memorandum was made up by myself at the request of Frank R. Lawrence, counsel of the company, and given by him, I presume, to Mr. Eldridge.

Q. A memorandum was there which had been made by you and given to Mr. Eldridge?—A. No, not by me.

Q. By whom was it made?—A. It was made by me, and given to Mr. Frank R. Lawrence, the attorney of the company—at his request, and by him given to Mr. Eldridge, upon whom I was requested to call and discuss one or two items, or produce some vouchers for expenditure as given by that memorandum.

Q. When you had this conversation with Mr. Eldridge was the memorandum there?—A. It was.

Q. Have you a copy of that memorandum?—A. I have. I now produce it as Exhibit A. It is as follows:—

WELLS

EXHIBIT A.

MEMO. OF DISBURSEMENTS BY J. D. WELLS.

Agents:

Buchanan Burr (check cashed by me as when agent) ..	\$ 127 54
John Hopper.....	347 00
G. L. Lewis.....	80 00
C. M. Ward (check for premium cashed by me).....	100 00
J. W. Grummon.....	100 00
W. C. Krensch.....	40 00
R. W. Cantwell.....	25 00
E. D. Ludwig.....	355 25
A. J. Tessier.....	100 00
C. H. Ryan.....	25 00
J. Brown.....	27 00
W. S. Bishop.....	5 00
G. L. Bellows.....	50 00
W. Vance Harper (check for this was received by association and is due J. D. Wells by association, having been erroneously credited W. V. Harper).....	137 50
W. H. Mondon.....	51 00
A. M. Sadler.....	50 00
W. B. Sherman—travelling expenses, ordered by Agency Com. \$85. Cash advanced, \$100.....	185 00
Rich & Fox, travelling expenses.....	50 00
F. W. Holbrooke.....	150 00
A. C. Hunt (balance of \$500 adv.).....	100 00
E. N. Lehrberg.....	200 00
W. L. Beiler (cash \$150, and \$25 going to Columbus, O.)..	175 00
H. L. McCormack.....	22 00
A. P. Worthley, 32 Pine.....	5 00
	<hr/>
	2,507 29
Ralph Evans, London.....	300 00
— Cardner, London.....	75 00
Oliver Sumner Teall.....	50 00
N. W. Bloss (loaned when director and V. P.).....	800 00
F. Braman.....	295 00
J. I. Burke, private secretary F. A. B.....	25 00
C. I. Evans.....	50 00
G. R. McChesney—Going south on company's business, \$500; less repaid, \$250.....	250 00

Mutual Reserve:

3½ years disb. entertaining agents and visitors, members, &c., say \$50 per month, authorized by Pres. Harper.	2,100 00
--	----------

Commission on Canadian business transferred by agents:

Paid by W. Vance Harper; loaned to him repaid by check and erroneously credited his account 137 per cent; paid for advertising in Fete paper in Flatbush.....	40 00
Paid for advertising <i>Financial Gazette</i> , 100 copies.....	10 00
F. A. Burnham.....	5,575 00

Add Canadian commissions.

APPENDIX No. 1

Q. The first part of this memorandum is taken up apparently with payments made to agents beginning with Buchanan Burr?—A. Yes, these were all principally agents.

Q. You say that the payments made to Buchanan Burr, who is the first named in this memorandum, down to Oliver Sumner Teall were advances made by you to agents?—A. They were.

Q. Go through the other items and say what they were for?—A. N. W. Bloss was a former director and vice-president to whom I loaned \$800. Mr. F. Braman was the former secretary of the company, almost from its foundation, I should say. Mr. R. R. Burke was the private secretary of the president.

Q. These items represented money loaned?—A. Yes, they are all for money loaned. C. I. Evans and G. R. McChesney are monies loaned. The next item is an account I had against the company for \$2,100.

Q. What was that for?—A. In my capacity as manager and director of the agency department, in charge of agents throughout the United States and Canada, the world, you may say—it devolved upon me, whenever visits were made to the home office, to take them in charge and entertain them.

By the Hon. Mr. Landry :

Q. That is for personal disbursements?—A. Yes, it is customary.

By Mr. Coster, Counsel for the Committee :

Q. As manager of agencies an allowance was made to you for entertaining agents when they came, and this item is a charge for that?—A. Yes. The next item is in blank because I could not get at the amounts. It was commission due me for agents in Canada on Canadian business—from whom orders were accepted by the company. The next item is an amount paid by W. Vance Harper for check of his that I cashed. The next was an amount paid for advertising. The next is an item of 100 copies of the *Financial Gazette*. The next is an amount against Mr. Burnham, money loaned to him.

Q. Never at any time did you make any charge for money paid by you in procuring legislation?—A. Never directly or indirectly.

Q. And this is the memorandum you say referred to in the statement by Mr. Eldridge on the minutes of the Senate and the only memorandum that you ever discussed with him?—A. It is.

Q. You say that Frank R. Lawrence was the solicitor of the company?—A. He was the counsel of the company.

Q. And you handed this memorandum to him that he gave to Mr. Eldridge, because Mr. Eldridge had it when you were there talking to him?—A. Certainly, he told me so.

Q. Did you have any communications with Frank R. Lawrence on the subject?—A. I did.

Q. Look at Exhibit B, which is a copy of a letter written to you by Frank Lawrence at the time in reference to this, is it not?—A. It is the memorandum referred to in the letter. It is the one that is market Exhibit A. The letter is as follow:—

EXHIBIT B.

‘FLATBUSH, March 18, 1899.

‘FRANK P. LAWRENCE, Esq.,

‘DEAR SIR,—Inasmuch as the memo. which I recently handed to you at your own request was made up exclusively of disbursements, the largest item having been advanced to Mr. Burnham himself and the next largest upon an understanding with Mr. Harper that it should be repaid, both items aggregating \$7,675, I submit that it is not difficult to deal with the memo. in a business way.

WELLS

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‘Permit me to remind you that our first interview on this subject took place at your suggestion and request and that it was, among other things for the purpose of informing me that Mr. Burnham desired to recognize my long service to the association by prolonging my salary gratuitously—‘So long as I pleased’. I was obliged, however, to refuse this offer, partly because I did not desire to be considered in the service of the association any longer, even nominally, and partly because I could not in the meantime accept any other position without acting incongruously.

‘It was during our conversation on this subject that I informed you of the cash disbursements which I had made and showed you two cheques representing advances to Mr. Burnham personally to the extent of \$5,575.

‘I am advised that I have a legal right to recover, at all events the two principal items to which I have referred, and of course, I prefer to settle amicably.

‘This matter was discussed between you and me only as a business matter. In communicating Mr. Burnham’s proposal to me, and in my more moderate counter-proposal to you, there was not a single suggestion about conditions, and if the matter is further discussed, we will, I hope, pursue the same lines.

‘At one of our interviews I showed to you and you read with great interest a draft letter which I wrote and addressed to Mr. Burnham more than six months ago. I have recently revised this draft—and to some extent lengthened it—and I send you herewith a copy of the revised letter merely for your perusal and confidentially, which please return at your convenience. I am anxious to send it to Mr. Burnham as soon as possible.

‘I am very much gratified with your very courteous and considerate treatment of this matter throughout all our interviews. In fact, so refined has been your diplomacy that it has relieved a very disagreeable matter of much of its unpleasantness.

Yours very truly,

‘J. D. WELLS.’

Q. That Burnham who is referred to in Exhibit B is the president of the company?—A. Yes.

Q. Look at Exhibit C, which purports to be a copy of another letter written by you to the solicitor of the company on this business?—A. It is. The letter is as follows:—

EXHIBIT C.

‘FLATBUSH, April 7, 1899.

‘Frank R. Lawrence, Esq.

‘I have considered the subject-matter of our interview of yesterday very carefully, and have come to the conclusion that I cannot accept your proposition, nor any other proposition for the payment to me of money by the association at this particular crisis of its affairs.

‘I have, as you know, very strong views as to the course which ought to be pursued in order to re-establish public confidence in the association. I firmly believe that the retirement of Mr. Burnham and the reorganization of the directorate is an absolute and pressing necessity, and that it is my duty to the policy-holders and the agents of the association generally to do all in my power toward bringing about this result, and that your proposition, no matter what form it assumed, would seriously impair my usefulness. In fact, the more I thought of it, the less I liked it.

‘I thank you for your courtesy in the treatment of this matter, but I am sure that you will believe that I do the right thing in refusing your proposition.

‘Will you kindly, therefore, intimate my decision to Mr. George Burnham, upon whom you requested me to call to-morrow and receive a check for \$5,000 on account?

‘Yours truly,

‘J. D. WELLS.’

APPENDIX No. 1

Q. How much money did they offer to give you?—A. Fifteen thousand dollars.

Q. And you refused to take it?—A. I refused to take it.

Q. How much of that money did you get back that was due you as per that memorandum?—A. After writing that letter I sued the president for the amount of the loan, which he after a year or so of pleading in the court, paid with all costs.

Q. And this fifteen thousand dollars you say was offered to you—What for?—A. After looking over that account which he had received back from Mr. Eldridge, I called to see him at his request. He said, referring to the memo., 'I have been looking over this thing, I think we can satisfactorily dispose of it,' and he made me two or three offers. One was to place the amount on the salary list of the association. He first said, 'We have made up our minds to give you fifteen thousand dollars. The account does not figure up fifteen thousand dollars, about eleven or twelve thousand, but we have made up our minds to offer you fifteen thousand dollars by way of goodwill to part on friendly terms and without further trouble or bother.'

By the Hon. Mr. Landry:

Q. That was as a final settlement?—A. Yes.

By Mr. Coster, Counsel for the Committee.

Q. Were you dismissed from the company?—A. No.

Q. You resigned?—A. Yes.

Mr. Coster, K.C., calls attention to the fact that on page 9 of the company's circular sent to all the members of the Senate, a portion of one of these letters to Frank R. Lawrence is quoted.

Q. You never in any way intimated, either by word or in any other way, that you had ever paid money to a member of the Parliament of Canada, or any member of the Government?—A. Never.

Q. And the statement that you did say so is absolutely false from beginning to end?—A. Absolutely false from beginning to end.

Q. Did you ever receive one cent of money from the Mutual Reserve Fund Life Association for that purpose?—A. Never.

Q. Or from anybody else?—A. Or from anybody else.

Q. Did you ever offer anybody any money for the purpose of procuring legislation?—A. I never offered it and never was asked for it.

By the Chairman:

Q. Especially at the time when you were present during the session of Parliament here asking for an Act of incorporation?—A. No, that was at the time when insurance legislation was before Parliament in relation to assessment companies, in 1885.

Q. That charge refers to acts which happened in 1885?—A. Yes.

By the Hon. Mr. Landry:

Q. Did you take any part in the passing of that Act in 1885?—A. No, my brother, Hon. R. M. Wells, was here and took part.

Q. The only thing you did at the time was to obtain your license from the Government?—A. That is all, and there was an assessment Bill before the House at that time, and I attended the Committee on Banking and Commerce and was in consultation with the members of the Government, about that Bill, in fact, it was the assessment Bill before the House that I was more interested in than anything else, because that Bill was the bone of contention at that time.

Q. The passing of it would enable you to get a license?—A. Certainly, it was why I was interested in its passing.

Q. The statement made is that 'there have been good round sums paid out; that there were members of Parliament, of the Committee, and of the Government that had to have good sums; that it cost him over \$10,000; that he had to find all the money

WELLS

except for the last bill for a small amount'—what does that mean?—A. I do not know what he refers to, probably he means that \$5,575 in my bill for disbursements.

Q. The statement is that 'He found all the money except for the last bill for a small amount' ?—A. I do not know what he refers to.

By Mr. Coster, K.C., Counsel for the Committee:

Q. This alleged interview with Mr. Wells mentioned by Mr. Kerr—who made the report of that alleged interview?—A. It is made to the Insurance Department by Mr. Eldridge or some one in behalf of the company.

Q. Did not the Insurance Department make a report upon it?—A. No, there was no report from the Department of Insurance in reference to any charges made by me. In fact the Superintendent of Insurance says in his official report that he did not go into the charges. That is in the official report.

Q. This is simply a statement made by Mr. Eldridge?—A. Made by Mr. Eldridge and somebody else connected with the company.

By the Hon. Mr. Landry:

Q. There is nothing in the item for Canadian commissions to cover payments made to members of Parliament, or members of the Committee, or members of the Government?—A. Not at all. I was in the habit of receiving accounts for commissions from the company. This was upon business of the company in which the agents to whom I had personally advanced moneys had an interest by way of renewal commissions.

JAMES DOUGLAS WELLS.

The Committee adjourned until to-morrow, June 10, 1904.

THE SENATE, OTTAWA,
COMMITTEE ROOM No. 2,

FRIDAY, June 10, 1904.

GEORGE D. ELDRIDGE, of the City of New York, Vice-President and Actuary of the Mutual Reserve Life Insurance Company, was called, and having been duly sworn by the Chairman of the Committee, was examined by Mr. Coster, K.C., Counsel appointed by the Committee to advise and assist them, and deposed as follows:—

Q. Have you read a copy of the Senate Debates of May 19th, with reference to statements made by the Hon. Mr. Kerr?—A. I have seen that before.

Q. Have you read it?—A. I have.

Q. The Hon. Mr. Kerr purports to be quoting from a report of the Insurance Department, or was it a statement made to the Insurance Department made by you—what is this copied from, do you know?—A. It is copied from the printed answers of the officers of the Mutual Reserve Fund Life Association, as it then was. That was prior to the incorporation under a new name—made to the Insurance Department of New York, to certain charges, copies of which were furnished by that department, said charges having been filed, as we were informed, by Mr. J. D. Wells and Mr. James Stevenson.

Q. Were these statements made under oath?—A. They were.

Q. And these statements with reference to the payments of sums of money to Members of Parliament, of the Committee and of the Government, were made by you, were they, to the department?—A. The statement from which an extract is there

ELDRIDGE

APPENDIX No. 1

made—I have not compared that extract word by word—was contained in an affidavit made by me and embraced within the answer furnished to the Insurance Department.

Q. Is this the language that you used, as near as you remember—that there had been good round sums paid out, that there were members of Parliament, of the Committee and of the Government that had to have good sums, and that it cost him—that would be Mr. Wells, would it?—A. Yes.

Q. Over ten thousand dollars, that he had found all the money excepting for the last bill for a small amount?—A. In substance that is the statement made by me in my affidavit as having been made to me by Mr. Wells.

By the Hon. Mr. Landry:

Q. Have you a copy of that affidavit?—A. I have a printed copy of it as it appeared in the answer to the department (copy produced).

By Mr. Coster, K.C., Counsel for the Committee:

Q. What is this?—A. That is a printed copy of our answer to the Insurance Department of New York.

Q. Pages 49 to 54 of this pamphlet are the affidavit which you produce?—A. Yes.

(Pages 49 to 54 of printed copy, filed as Exhibit D.)

Q. You admit this is what you swore to:—

‘I then took up the memorandum and said to him again: Now, this is what you want paid, the amounts contained in this memorandum, together with an equivalent to a year’s salary, and the association is to thereafter have your good-will, to which he replied: Yes, but that he would not make anything out of it, that he had spent lots of money that was not contained in the memorandum, that he had paid all the cost of the legislation in Canada that passed the law by which the association procured its license to do business in the Dominion, for which he had never been repaid. That there had been good round sums paid out; that there were members of Parliament, of the Committee, and of the Government that had to have good sums, that it cost him over ten thousand dollars, that he had found all the money excepting for the last bill for a small amount.’

Q. That is what you stated?—A. That is a portion of the affidavit made by me.

Q. I am asking whether you made that statement—is that portion of it correct?—A. I made that statement. If I may be permitted, I would ask the committee to include the whole affidavit as bearing on the credibility of the statement and showing the circumstances under which the whole matter was made, and I do it in addition because I understand from report—though being barred from the evidence of yesterday, I do not know whether it is a fact or not—that Mr. Wells presented yesterday a schedule which purports to be the schedule which was under discussion at the time referred to herein. I ask as a matter of privilege that be included in the evidence.

By the Chairman:

Q. That document is in the pamphlet, is it not?—A. The schedule is in the hands of the committee.

Q. Your affidavit is practically in the Senate Debates already?—A. There is only one paragraph of it in the Senate Debates.

By the Hon. Mr. Landry:

Q. The only paragraph in the Debates is the paragraph relating to the disbursements alleged to have been made by Mr. Wells for the purchase of the good-will of members of Parliament: the next is his intercourse with the company?—A. The balance shows the circumstances under which the conversation took place and bears, I think, upon the credibility of the whole thing.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Look at Exhibit A., being a copy of the memorandum which was produced yesterday by Mr. Wells before the committee, and tell me if that is not a correct copy of the schedule to your affidavit?—A. Without comparing word for word, it appears to be a copy identical with this Exhibit A of Exhibit 2 in the affidavit?—A. I presume it is.

Q. There was a statement submitted to the honourable members of the Senate, a printed statement purporting to come from the company. Look at that statement. You can tell by glancing at it. That purported to come from the company, did it not?—A. Yes, sir.

Q. Did you prepare that or help to prepare it?—A. I helped to prepare it.

(Extract from page 9 of printed statement produced, filed as Exhibit E.)

Q. At page nine there is what purports to be an extract from a letter from J. D. Wells to Frank R. Lawrence. Have you that letter?—A. I have not it with me.

Q. You received that letter, did you?—A. I did not.

Q. Did you see it?—A. I have seen it.

Q. You saw the letter marked Exhibit B, a copy of which was put in evidence yesterday?

By the Chairman :

Q. Did you read the letter?—A. I have testified that I saw the letter from which the extract on page nine was made. I do not testify anything as to the letter put in yesterday or having seen it or heard of it.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You saw the letter of which that is an extract?—A. Yes.

By the Hon. Mr. Landry :

Q. In other words, that extract is correct?—A. That extract is correct from a letter I have seen.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Frank R. Lawrence was counsel for the company, was he not?—A. Frank R. Lawrence has been counsel for the company.

Q. And was at that time?—A. Special counsel, yes.

Q. I am reading now from the letter of March 18th, 1899, marked Exhibit B. Would you look at that copy and tell me if that is not a copy of the letter from which he took the abstract?—A. It would be absolutely impossible for me to testify from this copy as to whether that is a correct copy of a letter that has not been seen by me for several months at least. I could not possibly testify.

Q. Will you say it is not?—A. I will not say it is not or that it is.

Q. You took this extract out of this letter? You said you did?—A. I said that that was an extract from a letter that I had seen addressed by Mr. Wells to Mr. Lawrence.

Q. Did you take the extract from it? Did you or did you not?—A. That would depend upon what you mean by taking the extract from it. The extract contained in the document admitted in evidence is a correct copy of a paragraph contained in a letter from Mr. Wells to Mr. Lawrence which I have seen.

Q. How do you know that paragraph is correct, if you cannot tell about the others?—A. I had before me a copy of a letter and I compared that with it.

Q. How long ago did you make this statement to the Senate containing Exhibit E.?—A. That particular document was prepared, I think, about a month ago.

Q. Why do you say you have not seen the letter for two years?—A. I did not say

so.

ELDRIDGE

APPENDIX No. 1

Q. You cannot remember any other portion of the letter but that?—A. That is the only one that I identify.

Q. You cannot remember any more of it?—A. I cannot remember the other portions of the letter sufficiently to testify whether that typewritten document is a copy of the letter or not.

Q. Who has those letters?—A. I do not know in whose possession that letter is at the present time.

Q. Whose possession was it in when you saw it last?—A. The only time I saw that letter it was in the possession of Mr. Burnham, the president of the company.

Q. Are you prepared to produce the letters with reference to this before this Committee?—A. I am not, because it is not in my possession.

Mr. COSTER, K.C., Counsel for the Committee.—I would ask that the letter of March 18th, to Frank R. Lawrence, and also the letter of April 17th, should be produced by the company to the Committee. We have sworn copies of them here, and he will not deny them.

Mr. AYLESWORTH, K.C.—Might I say, on Mr. Eldridge's behalf, Mr. Chairman, that I understood this was an inquiry which concerned only Mr. Eldridge.

The CHAIRMAN.—He has admitted the essential part.

Mr. COSTER, K.C., Counsel for the Committee.—He wrote saying he would not take any money from them at all. That is the essential part which they have left out. I wanted to test the witness's memory or honesty or something or other.

Q. Will you swear that this was not in the letter received by Frank R. Lawrence: 'I have considered the subject-matter of our interview of yesterday very carefully, and have come to the conclusion that I cannot accept your proposition or any other proposition for the payment to me of money by the association at this particular crisis in its affairs'?—A. I do not know whether that was contained in a letter addressed to Mr. Lawrence by Mr. Wells or not.

Q. 'I have, as you know, very strong views as to the course which ought to be pursued in order to re-establish public confidence in the association.' Do you say that was in it?—A. Mr. Chairman, I ask a ruling from you as to whether this is not going into matters relating to the association, and not myself personally?

Mr. COSTER, K.C., Counsel for the Committee.—It is with reference to the bribery, with reference to the money which he says Wells demanded from him.

Mr. AYLESWORTH.—The letter has not the slightest reference to that, as I understand it. It has not the slightest reference to the subject under inquiry to-day.

The CHAIRMAN.—We are not dealing with the affairs of the company now. We are dealing with a question of fact submitted to the Senate by the Honourable Senator Kerr. Mr. Eldridge is supposed to have taken that statement from a document now before the Committee, signed and produced as Exhibit E. We are dealing with that statement made by Hon. Mr. Kerr, Toronto. It was taken from the document produced here from the report Exhibit D. Mr. Eldridge is supposed to have made that statement and he has come to this Committee and swore he did make the statement. That statement was made in a document called an affidavit in connection with the business between the Insurance Department of New York and this company. In that statement is where the question of privilege arises, and it was brought before the House by the Honourable gentleman from Stadacona. The fact that Mr. Wells had stated to you, Mr. Eldridge, that he had spent \$10,000 in practically buying up the members of the Government and of the Committee and of Parliament at the time when they were seeking legislation in 1884 or 1885—

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Mr. COSTER, K.C., Counsel for the Committee.—And that he demanded money, asked that it should be paid back, and here is his letter in which he says he won't take a cent, which is in evidence?—A. I made no statement that he demanded of the company that the \$10,000 should be paid back.

The CHAIRMAN.—It is easy to ascertain that. The statement is here.

By Mr. Coster, K.C., Counsel for the Committee:

Q. This is what you want paid?—A. Yes.

Q. What does that mean?—A. That means the items contained in the schedule, and it does not contain the \$10,000 or any reference to it at all; no reference to it in that schedule at all.

Q. 'Together with the equivalent of a year's salary;' what was his year's salary?—A. I think that his salary at that time was either \$12,000 or \$15,000 a year.

Mr. WELLS.—\$10,000 was my salary.

By Mr. Coster, K.C., Counsel for the Committee:

Q. 'Together with the equivalent of a year's salary': what does that mean?—A. He demanded that a year's salary should be paid to him.

Q. That would be \$10,000 in addition to the memorandum?—A. Yes.

Q. And then you go on to say he stated he had spent \$10,000 in bribing the members of the Government?—A. But that does not say that he demanded that \$10,000: on the contrary, if this whole document was put in as I requested, you will find in other portions of it—

Q. I should like you to answer my question?

Mr. AYLESWORTH, K.C.—The witness should not be interrupted.

Q. Will you say that letter was not received refusing to take any money from the company?—A. Mr. Chairman, I desire to call attention to the fact that this letter bears date nearly two months subsequent to the interviews between myself and Mr. Wells as reported by me in the affidavit, and could possibly have no bearing whatever upon the matter under investigation.

By the Hon. Mr. Landry:

Q. Subsequent?—A. Subsequent?

By the Chairman:

Q. Do you swear it has no bearing whatever on it?—A. It has none to my knowledge.

Q. To your knowledge?—A. No.

Q. Will you swear absolutely it has none whatever?—A. I do not know. It is a letter addressed to another party, and it is several months subsequent to the allegation made by me and the interview to which it relates.

By Mr. Coster, K.C., Counsel for the Committee:

Q. What is the date of your affidavit, please?—A. The 13th day of July, 1899.

Q. This is dated the 7th April, 1899; why do you say that it was afterwards?—A. The interview took place in February.

Q. After your affidavit?—A. My affidavit covers the facts of the interview which took place in February, 1899.

Q. Then you say that when you made the affidavit you did not know that Mr. Wells had refused to take money from the company?—A. I had never seen those letters at the time.

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Q. Answer my question?—A. I do not know to-day that he refused to take money from the company.

Q. Then you never saw the letters which went to Frank R. Lawrence?—A. I did.

Q. What?—A. I did.

Q. And you saw the letter of April 7?—A. No, I never saw the letter April 7 until it was produced here to-day.

Q. And you only saw the letter of March 18: that is the only one you saw?—A. That is the only one I saw.

Q. Now, Mr. Eldridge, don't you know that the letter of April 7 was published in the public press of New York?—A. If I did know it, it has entirely escaped my memory that I ever saw it.

Q. Will you tell me that you did not take sufficient interest in the affairs of the company, when you see a serious charge like that in the press, not to notice it?—A. I saw so many that were made by the same party that I cannot recall the different ones.

Q. Do you know of any money being offered to Mr. Wells?—A. I do not.

Q. At any time?—A. Offered to him in what way do you mean?

Q. By the company, since he left?—A. I do not.

Q. You swear that you do not?—A. I do not know of any money being offered to him.

Q. Was any proposition made to him to pay him money that you know of?—A. Not that I know of.

Q. Through anybody else; did you ever authorize such a proposition to be made?—A. I never did.

Q. Was Mr. MacMurchy representing you?—A. Representing me personally?

Q. Was he representing the company?—A. Mr. Chairman, I again ask—

The CHAIRMAN.—What is the object of the question?

Mr. COSTER, K.C., Counsel for the Committee.—The object of the question is that Mr. Wells says that through him they did make an offer. I just want to get him to say he is their attorney.

The CHAIRMAN.—It is just testing the veracity of the witness.

Mr. COSTER, K.C., Counsel for the Committee.—Yes.

WITNESS.—Mr. MacMurchy has been, and at that time was, one of the counsel of the company in Canada.

Q. And was he authorized to make any offers to Mr. Wells?—A. I do not know.

Q. Was Mr. Lawrence authorized to make any offers of money to him?—A. I do not know.

Q. Can you explain to me what this would mean in the letter which Mr. Wells swore he sent to Mr. Lawrence: 'Will you kindly therefore intimate my decision to Mr. George Burnham upon whom he requested me to call to-morrow and receive a cheque for \$5,000 on account': what would that have meant?—A. I do not know.

Q. Did you ever hear of it?—A. Ever hear of what?

Q. Ever hear of his being requested to call and receive a cheque for \$5,000?—A. No, sir.

Q. You never did?—A. No.

Q. When did Mr. Wells make the statement to you that he had paid \$10,000 to the members of Parliament and members of the Government?—A. He made it in the interview which took place upon the 28th day of February, 1899.

Q. Who was present at that interview?—A. Mr. Wells and myself.

Q. Nobody else?—A. No, sir.

Q. 28th February, was it?—A. Yes.

Q. You swore to that in your affidavit, did you?—A. Yes.

Q. This letter is dated March 18 and April 7: so it was not two months?—A. Oh, I spoke in round numbers, a couple of months, referring to the letter of April 7.

Q. I should like you to be a little careful about the round statement that you make. There was one item in the memorandum of \$5,574: was that paid to Mr. Wells, do you know?—A. I do not know.

Q. You do not know?—A. No.

Q. Do you know anything about the affairs of the company at all?—A. Yes; I know considerable about the affairs of the company.

Q. You say that you do not know that a suit was commenced against the president F. A. Burnham for that amount and that he paid it?—A. I did not say anything of the kind.

Q. What did you say?—A. I said that I did not know whether that \$5,575 was paid to Mr. Wells or not.

Q. Don't you know that a suit was commenced by Mr. Wells against Mr. Burnham for it and that he paid it?—A. I know that Mr. Wells began a suit against Mr. Burnham on some claim and I presume that is it.

Q. And what Mr. Burnham paid it, did he not?—A. I do not know whether Mr. Brunham paid it or not.

By the Chairman:

Q. Is the suit still pending against the company?—A. It was a suit against Mr. Burnham personally.

Q. You know the suit was started: do you know if it is still pending?—A. I think not.

Q. Is it settled?—A. I do not know what the disposition of the suit between Mr. Wells and Mr. Burnham was.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Mr. Wells stated yesterday that the whole amount was paid him with costs?

The CHAIRMAN.—He says he knows nothing personally about it.

Q. Did he give you any particulars of whom he made these alleged payments to?—A. Contained in the schedule?

Q. No, no, confine yourself to the question of the \$10,000?—A. The question of the \$10,000?

Q. Yes?—A. No, sir, he did not, further than what is stated here in this affidavit.

Q. These are the words you say he used?—A. I do not purport there to quote the exact words that he used. I am giving the substance of the statement he made to me.

By the Chairman:

Q. You have to be very careful. The whole charge is in those few words. We must have a very direct statement because the charge is there?—A. The charge is there and that is the substance of what he stated to me, but I do not purport to give it word for word, but that statement as contained there, that there were members of Parliament, of the Committee, and of the Government that had to have good sums, that it cost him over \$10,000, that he found all the money excepting for the last bill for a small amount, he stated to me.

By the Hon. Mr. Landry:

Q. What is the meaning of that 'excepting for the last bill for a small amount'?—A. That he did receive from the company a certain portion of the money which was the last payment he made; it was for a small amount.

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Q. That is, cost him over \$10,000, that he had found all the money.

Mr. AYLESWORTH.—That he personally had provided it.

Q. Excepting for the last bill for a small amount?—A. Yes, the last bill connected with those payments.

Q. Do you know what bill it is?—A. I do not.

Q. There is a bill yet to be paid, I suppose?—A. A bill yet to be paid?

Q. I conclude that if all the \$10,000 were found, he would be paid, excepting for the last bill?—A. That he personally had found the entire \$10,000 or more, excepting for one bill which was the last one of all and that that was found by the company.

The CHAIRMAN.—This matter has been discussed by the members of the Committee and the members of the Senate. We cannot understand that last phrase.

Hon. Mr. LANDRY.—All I wanted was his explanation because it is he that made the affidavit.

Q. Did he ever tender you any receipts for the money he paid in Canada as vouchers?—A. He never did.

Q. For the money he was asking to be recouped?—A. I did not understand him to be asked to be recouped for that money at any time.

By the Chairman:

Q. You did not what?—A. I did not understand him to ask to be recouped for the \$10,000 at any time.

Mr. COSTER, K.C., Counsel for the Committee.—Now, Mr. Chairman, Mr. Eldridge makes that statement, and I will call his attention to the fact that in his own affidavit he swears to exactly the contrary.

The CHAIRMAN.—Take the two statements.

Mr. COSTER, K.C., Counsel for the Committee.—I would only call the attention of the Honourable Committee to that fact.

By the Hon. Mr. Landry:

Q. Did you ever believe when he told you he had spent \$10,000 to purchase members of the Canadian Parliament? Did you ever believe it was true?—A. No, sir.

Q. And that was an additional reason not to recoup him?—A. It was a reason for not admitting the demand that was made for the payment of the money.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I will read this statement again. 'Now this is what you want paid,' &c. (Reads.) His demand is for the amount stated in that memorandum and \$10,000. That is what you swore to there and now you say that he never demanded any money from them?—A. Mr. Chairman, I have not stated that he never demanded any money from us; on the contrary I have sworn that he demanded the money covered by the schedule here put down and one year's salary in addition. I have sworn that he did not ask us to recoup him that sum paid as he alleged for the purchase of the Parliament of Canada, and he did not ask, and if you will turn to page 52 of the affidavit I have made—Q. Well, now—

The CHAIRMAN.—Finish the answer.

A. If you will turn to page 52 of the affidavit I have made you will find again the reference to his demand for a year's salary in addition to the schedule, showing

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that he placed it entirely upon the basis of receiving one year's salary after having been dropped from the association, and that it had nothing whatever to do with recouping for the \$10,000 used in the purchase of the Parliament of Canada for that amount. He never did ask for any recouping. I ask, Mr. Chairman, that he turn to page 52.

Mr. COSTER, K.C., Counsel for the Committee.—If Mr. Eldridge wants to make a statement he can make it now, but there is no use putting in the old affidavit. If he wants to make a statement let him make it, but to put in a printed document, what he swore to some time ago—

The CHAIRMAN.—He can put the statement in if he swears to it again before the Committee. You can have this statement go in.

WITNESS.—That is all I ask. All the testimony I am giving here now is given under oath and I ask that that portion of the affidavit on page 52 beginning with the words 'I said to him—

Mr. COSTER, K.C., Counsel for the Committee.—I submit he should swear to it now, and not put in the written document.

The CHAIRMAN.—It is understood the statement you are to make now is a continuation of your evidence.

WITNESS.—Yes, it is a continuation of my evidence, and I ask now, Mr. Chairman, that, as the continuation of my evidence, this entire affidavit be put in and I swear to it as true—the entire affidavit as part of my evidence to-day.

Mr. COSTER, K.C., Counsel for the Committee.—The entire affidavit, outside of about six lines, has absolutely nothing to do with this case.

The CHAIRMAN.—I have not examined this affidavit, but everything in this affidavit pertaining to the question before the Committee shall go in. We do not want the extraneous matter.

WITNESS.—It has been pointed out by the Counsel that there is what he claims to be a discrepancy in the testimony in this paragraph which has already been put in. The entire affidavit bears upon the question of the demands made by Mr. Wells, on what basis he made them and whether they were for recouping for expenses alleged by him to have been incurred in purchasing the Parliament of Canada. Therefore, as part of my testimony I reiterate this entire affidavit, and reiterate it under oath as bearing upon this question.

Hon. Mr. LANDRY.—I think we should accept that declaration and have the whole thing put in.

Mr. COSTER, K.C., Counsel for the Committee.—Very well.

The CHAIRMAN.—Yes, everything else in the affidavit pertaining to this may go in.

Hon. Mr. LANDRY.—We will pick afterwards what is pertinent.

The CHAIRMAN.—Instead of the excerpt being the exhibit the affidavit will be the exhibit.

By the Chairman:

Q. Have you any further statement to make, Mr. Eldridge?—A. Excepting that I tender to the Committee, if they adjourn to meet again, witnesses who can swear to
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the same statements as to the purchase of the Parliament of Canada having been made by Mr. Wells at other times to them.

The CHAIRMAN.—I do not think this Committee can take cognizance of that.

WITNESS.—I simply tender it for the Committee to take such action as they see fit.

The CHAIRMAN.—It is only your matter that is before the Committee. We are authorized to do one thing; that is, to ascertain the facts regarding this statement of yours which was read by Hon. Mr. Kerr. We have no power to ascertain anything else.

WITNESS.—As a matter of privilege I ask the Chairman to have this taken down.

Mr. COSTER, K.C., Counsel for the Committee.—Who are the witnesses? Let him state the names.

Mr. AYLESWORTH, K.C.—I should like to state on Mr. Eldridge's behalf that witnesses are now on the way and will be here within the next hour anxious to testify that this man has made the identical statement in substance to them on more than one occasion that he made to Mr. Eldridge, using it in the same way as an effort to extort money from the company.

WITNESS.—And I wish, if the Chairman will give me the privilege, simply to say that this is an issue of veracity between Mr. Wells and myself and I tender the witnesses, leaving it to the Chairman of the Committee to decide whether it is germane or within their powers.

By the Hon. Mr. Landry

Q. Could you give us the names of the witnesses?—A. One witness is D. E. Cameron, and the other is R. B. Cannon—I think it is R. B. Cannon. Mr. Wells can tell the initials better than I can.

Mr. WELLS.—R. D. Cannon—both employees of the company.

WITNESS.—They are employees of the company.

By Mr. Coster, K.C., Counsel for the Committee :

Q. They are both employees of the company, are they?—A. Yes.

By the Hon. Mr. Landry :

Q. If there is anything else you wish to volunteer we are prepared to hear it?—A. Simply as a matter of personal privilege or explanation, I would say, to remove any possibility that anybody should suppose for an instant that I believed this statement, that I personally never had any conception or thought that the Parliament of the Dominion of Canada has been purchased or was purchasable.

Q. In fact you did not believe the statement that was made to you?—A. I did not believe the statement, and I call attention also to the fact that the event that was alleged to have taken place in the purchase of Parliament occurred over fourteen years before the interview and some ten years before I became connected with the Mutual Reserve.

Q. In those fourteen years were you in the employ of the company?—A. The last four years and one-half I was, but not before.

The CHAIRMAN.—When was that legislation?

Mr. WELLS.—1885.

By the Hon. Mr. Landry :

Q. You never heard that any claim was made against the company for the recouping of that money ?—A. No.

Q. During the whole time you were there ?—A. No.

By the Chairman :

Q. Mr. Wells never made any demand on the company from 1885 till February 28, 1899 ?—A. No, not to my knowledge.

By Mr. Coster, K.C., Counsel for the Committee :

Q. How many years had you been connected with the company ?—A. I went with the company on May 21, 1894.

By the Chairman :

Q. So that you were connected with the company from 1894 until 1899 when Mr. Wells left ?—A. Yes.

Q. And the question of the \$10,000 never came before the company or before you ?—A. I had heard of it but it never came before me officially.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Whom had you heard it from ?—A. I had heard of it from Mr. Harper.

Q. I thought you were not there ? When did Mr. Harper die ?—A. He died in 1895, but I knew him personally for a great many years, but it never came to me as a demand for the payment of the money in my official capacity in any way.

GEORGE D. ELDRIDGE.

The Committee adjourned till Wednesday, June 15, 1904.

LIST OF EXHIBITS.

Filed.	No.	Description.
9th June	A.	Memo. of disbursements by J. D. Wells.
9th June	B.	Copy of letter dated Flatbush, March 18th, 1899, to Frank R. Lawrence, signed J. D. Wells.
9th June	C.	Copy of a letter dated Flatbush, April 7th, 1899, addressed F. R. Lawrence, signed J. D. Wells.
10th June	D.	Printed copy of affidavit of George D. Eldridge, sworn before G. B. Clarkson, Notary Public for the County of New York, on the 31st July, 1899, together with Exhibit A, referred to in said affidavit.

NOTE.—This exhibit is contained in, and consists of, pages 49, 50, 51, 52, 53 and the first 13 lines of page 54 of a pamphlet produced by the witness, entitled: 'Insurance Department, State of New York.'—'In the matter of Mutual Reserve Fund Life Association of New York City.'—'Answer of Association and Officers.' Dated July 26th, 1899.—'Deposition of Isaac Vanderbilt, Esq., Chief Examiner, New York Insurance Department.' Dated April 2nd, 1900.

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10th June. E. This exhibit is contained in and consists of lines 10 to 22, inclusive, on page 9 of a Printed Statement intituled: 'In Re Motion pending before the Honourable the Senate of Canada, in Parliament Assembled, for a Committee to investigate the Affairs of the Mutual Reserve Life Insurance Company.'

EXHIBIT A.

Printed in full in the evidence. (See page 2.)

EXHIBIT B.

Printed in full in the evidence. (See page 3.)

EXHIBIT C.

Printed in full in the evidence. (See page 4.)

EXHIBIT D. (See page 7.)

Exhibit No. 2.

EXHIBIT 'A.'

MEMO. OF DISBURSEMENTS BY J. D. WELLS.

Agents:

Buchanan Burr (Check cashed by me when Agent)	\$127 54
John Hopper	347 00
G. L. Lewis	80 00
C. M. Ward (Check for Prem. cashed by me)	100 00
J. W. Grummon	100 00
W. C. Krensch	40 00
R. W. Cantwell	25 00
E. D. Ludwig	355 25
A. J. Tessier	100 00
C. H. Ryan	25 00
J. Brown	27 00
W. S. Bishop	5 00
G. L. Bellows	50 00
W. Vance Harper (Check for this was rec'd by Ass'n and is due J. D. W. by Ass'n, having been erroneously credited W. V. Harper)	137 50
W. H. Mondon	51 00
A. M. Sadler	50 00
W. B. Sherman—Travelling Expenses—ordered by Agency Com.	\$85 00
Cash Advanced	100 00
	<hr/>
	185 00
Rich & Fox (Travelling Expenses)	50 00
F. W. Holbrooke	150 00
A. C. Hunt (Balance of \$500, adv.)	100 00
E. N. Lehrberg	200 00

W. L. Beirler (cash \$150 and \$25, going to Columbus, O.)	175 00
H. L. McCormick	22 00
A. P. Worthley, 32 Pine	5 00
Ralph Evans, London	300 00
Gardener, London	75 00
Oliver Sumner Teall	50 00
N. W. Bloss (Loaned when Director & V. P.)	800 00
F. Braman	295 00
J. I. Burke, Private Sec'y F. A. B.	25 00
C. I. Evans	50 00
G. R. McChesney—Going south on Co.'s business	\$500
Less repaid	250
	250 00

Mutual Reserve:

3½ years Disbursements, entertaining agents and visitors, members, etc., say \$50 per month, authorized by Pres't Harper	2,100 00
Commission on Canadian business transferred by agents, Paid by Hunt	\$100 00
Paid by W. Vance Harper—Loan to him repaid by check, and erroneously credited his ac.	137 50
	237 50
Paid for Advt. in Fete Paper, Flatbush	40 00
Paid for Advt., 'Financial Gazette,' 100 copies	10 00
F. A. Burnham	5,575 00

STATE OF NEW YORK, }
 County of New York, } ss:
 BOROUGH OF MANHATTAN, }

GEORGE D. ELDRIDGE, being duly sworn, says:

I am, and for more than five years last past, have been an officer of the Mutual Reserve Fund Life Association. I am at present its First Vice-President and Actuary. I know James D. Wells, who until the 25th day of January, 1899, had been a director and Second Vice-President of the said Association. The term of said Wells as a director of said Association expired on said 25th day of January, 1899, on which day the annual meeting of the members of said Association for the election of directors and other purposes was held. Said James D. Wells was not re-elected by the members of said meeting as a director, and his connection with the Association from and after that date ceased.

On Tuesday, the 28th day of February, 1899, at about three o'clock in the afternoon of that day, the said James D. Wells came into my office in the Mutual Reserve Building, by appointment, to discuss with me, as he said, a memorandum of sums of money submitted by him, for which he sought repayment from the Association. I had said memorandum on my desk, the original of which I herewith identify by my initials and dated this day, and a true and correct copy whereof I hereto attach to this affidavit and mark the same Exhibit 'A.'

After the ordinary salutations of the meeting, I stated to Mr. Wells that as an officer of the Mutual Reserve Fund Life Association I had been asked to go over with him the items of the memorandum, holding the same in my hand, which he had sub-

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mitted against the Association. Mr. Wells said that he did not present the memorandum as an account collectable or enforceable against the Association ; that he did not claim that the Association owed him the sums of money stated therein, but that he had had negotiations with counsel for the Association regarding his relations to it, and that inasmuch as his employment and official relations with the Association had been terminated he thought that in the interest of a continuance of his friendly relations with the Association and in the interest of peace and harmony, some sum of money should be paid to him, and that this memorandum was presented as a basis upon which the Association could audit the amount and pay the same to him. He said that there were a good many sums that he had spent for the Association or for its benefit, for which he had not been repaid and these formed the basis of the memorandum submitted.

I replied to him that no one could be an officer of an institution like the Mutual Reserve without having to pay out of his own pocket for the benefit of the institution money which could not be repaid and for which he could not justly make demand. He agreed with me and said that this memorandum only represented such items as he had recalled, that he made no particular search for them and that there were a lot more that he could have put in, but that he was not making an account of money due to him, but only to have a basis upon which the Association could safely make payment to him.

We went over the several items contained in the memorandum and once or twice he produced from his pocketbook note or orders from some agent against whom he had a charge for money advanced or paid. As to the item of \$2,100, '3½ years disbursements entertaining agents and visitors and members, &c.,' he said that the amount which he had put down as monthly expenditure was under rather than over the amount that he actually expended. That Mr. E. B. Harper, the late president of the association, had instructed him to entertain and look after agents and members visiting the home office, but that he had kept no account of such expenditures. As to the item of 'Commissions on Canadian business transferred by agents', the amount of which was left blank, he said that in a number of cases he had personally made advances to agents cut of his own pocket, that the several commissions which belonged to these agents were to be paid to him instead of to them, to repay him for these advances, and that this arrangement had been approved by the executive committee. That it would be easy to find what amount was coming to these agents under their contracts, and it should be carried to his account on the books. That there was a debit against him on the books of the association for moneys that he had drawn, but that the commissions due from the agents as aforesaid would amount to more than the debit, and that whatever the amount of the credit would be, after deducting the debit, would be the amount of that item; he thought the balance due him for this would be at least \$2,000.

I called his attention to the final item in the memorandum, 'F. A. Burnham, \$5,575,' and asked him what this meant. He replied that I knew as much about that as he did. I said that I knew nothing about it. He answered that this was an item which he had paid out for the benefit of the association, and the association ought to pay it back to him, but if the association would not pay it back, he would make claim of President Burnham personally, as he had paid out this money at the president's request. He took from his pocket-book two checks drawn to his own order, if I remember it correctly, on The Merchants Exchange National Bank, bearing date in May, 1898, and amounting in the aggregate to the amount stated in the memorandum, to wit, \$5,575. I looked at the checks and said to him they were to his own order and endorsed by him. He replied that this was true, that he had got the money in bills and used it as Mr. Burnham requested.

I then asked him what the items of this memorandum Exhibit 'A' amounted to, and he replied about \$12,000. I asked if this was the amount that he thought ought to be paid to him. He replied 'yes' that he did, together with a year's salary in ad-

dition, making about \$25,000 in all. I said to him, 'Do you think a year's salary in addition to these amounts should be paid to you, that is, do you ask the amount of these items in this memorandum and a year's salary', to which he replied that he did, that while he made no threat against the association, nor did he intend to make any blackmailing demand upon it, that the association had better pay him this sum of \$25,000, or it would have to take the consequences, that he had been turned out without warning and without being given a dollar, and that he did not intend to remain in that position without a fight. Then I said, 'What you ask is that the association pay you \$25,000'? He replied that it would amount to somewhere between twenty and twenty-five thousand dollars. He repeated that he did not make this as a demand or threat or as blackmail, but that as he was out of the association he thought that in the interests of peace and harmony and his continued friendly relations with the association, and taking into consideration his long services, this amount should be paid to him, that the association could take this memorandum, credit his account with the items therein recited, credit him a year's salary as it accrued, but that the several amounts must be paid to him in cash and at once. That he was extremely anxious to know exactly what his future relations with the association were to be, whether friendly or otherwise, and he thought that the matter should be closed before the end of the then week.

I then asked him if we paid him this amount, the amount recited in the memorandum, together with an amount equal to a year's salary, if there would be any reason why his relations with the association should not continue friendly. He said that he did not know of any reason, that he wanted to see the association go on, and recover from any setback it had, and if the payment was made to him it would have, and continue to have, his best wishes and good-will. He again repeated that he did not make any threat or demand, but that it would be a wise business proceeding for the association to pay him this sum. I asked him if he thought we would be justified in making such a payment. He replied that he did not see why, that it would be a mere business matter, and that the memorandum would form a sufficient basis for the credits to be given to him upon which payment could be made, that it would pay the association a great deal better to make this payment to him than some money it had spent, particularly that which Moton D. Moss had received. He then went on to say that he had heard that Moss was coming back to manage the Agency Department. I replied that I had not heard of it, and when Moss did come back that I should know it, and that I could not again be in the same company with Moss, that when Moss came back, I should go. Wells responded that nobody knew (but he did) what that thief Moss had got out of the association, that he cost it more than all the other thieves that it had had, that if he had kept on he would have ruined the association. I replied that I cared nothing about Mr. Moss' affairs, except that while he was here he was a good man to get business and did get good business, that I would not be willing to see him come back or to stay if he came back, that I had never had anything to do with him socially, never called upon him, except a formal call on account of a dinner invitation and that he, Wells, must know that Moss was not coming back.

I then took up the memorandum and said to him again, 'Now this is what you want paid, the amounts in this memorandum together with an amount equivalent to a year's salary, and the association is to thereafter have your good-will'. To which he replied, 'yes', but that he would not make anything out of it, that he had spent lots of money that was not contained in the memorandum, that he had paid all the costs of the legislation in Canada that passed the law by which the association procured its license to do business in the Dominion, for which he had never been paid. That there had been good round sums paid out. That there were members of Parliament, of the Committee, and of the Government, that had had to have good sums, that it cost him over \$10,000, that he had found all the money excepting for the last bill for a small amount.

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'Now', I said, 'to get back to the memorandum, when do you want this fixed up'. He replied, 'Just as soon as it can be done. I have spent more time on it than I wanted to. I want to get it out of the way and know just where I stand and what my relations with the association are to be. It ought to be got into shape this week. It is just a business proposition and it ought to be easy to fix it up, and as I say, in the interests of peace and harmony.' I told him that I had to go to Albany on Thursday, as I had made an engagement for that day, and that as Wednesday (the day following our interview) was a day for the meeting of the Board of Directors of the association, he knew that I would be very busy, that it would not be possible for me to see him again until Friday or Saturday of that week. He then said that he would make a second appointment with me, and let me know on which day.

On the following Monday, March 6, I am informed that just after I had left the office to go out of town on business, that the said Wells called at my office and asked for me.

(Sgd.) GEORGE D. ELDRIDGE.

Subscribed and sworn before me this }
13th day of July, 1899. }

(Sgd.) T. B. CLARKSON,
Notary Public,
N.Y. Co.

EXHIBIT E

On the 18th of March of the same year, two months after Mr. Wells was thus dropped, he writes to Frank R. Lawrence, Esq., attorney of the company, in reference to this purported letter, as follows:—

'At one of our interviews I showed to you, and you read with much interest, a draft letter which I wrote and addressed to Mr. Burnham more than six months ago. I have recently revised this draft and to some extent have lengthened it, and I send you herewith a copy of the revised letter merely for your perusal, and confidentially, which please return at your convenience. I am anxious to send it to Mr. Burnham as soon as possible.'

PART 2.

OTTAWA, June 15, 1904

JOHN M. STEVENSON, of the city of New York, called and sworn, and examined by Mr. Coster, K.C., counsel for the committee :

Q. What is your occupation ?—A. Life insurance.

Q. With what company are you employed now ?—A. At present the North American Life, of Toronto.

Q. What is your position with the North American Life ?—A. Manager of the Metropolitan Department in New York.

Q. Were you ever associated with the Mutual Reserve Fund Life Association of New York ?—A. I was.

Q. In what capacity ?—A. First as a clerk, in the spring of 1883, and about July, 1883, I was elected assistant secretary, and remained in that position until my resignation in January, 1899.

STEVENSON

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Q. You sent in a written resignation, did you ?—A. I did.

Q. Do you remember the date in January ?—A. It was on the 20th, I think.

Q. Look at the paper now shown you ; is it a copy of the resignation sent in by you ?—A. It is. It is as follows :—

‘ NEW YORK, January 25, 1899.

‘ To the President and Board of Directors of the Mutual Reserve Fund Life Association, Office Building, New York City :—

‘ GENTLEMEN,—For reasons satisfactory to myself, I hereby tender my resignation as assistant secretary of the Mutual Reserve Life Fund Association, the same to take effect immediately. I have served the Association for nearly sixteen years, and it is with a natural feeling of regret that circumstances, which it is not necessary to detail here, make it my duty to sever this connection.

‘ This letter will be delivered by Mr. Edmund Pendleton, and I ask if you would be good enough to designate someone to whom I shall surrender the keys and affairs of my office.

‘ I have the honour to be,

‘ Your obedient servant,

‘ J. M. STEVENSON.’

Q. That was delivered to the company that day ?—A. No, it was delivered the next morning. The committee was in session and could not see me, and it was delivered next morning.

Q. What were the circumstances which led you to resign ?—A. Well, I was not in harmony at all with the then existing management or the methods used.

Q. What methods do you refer to? What were you not in harmony with?—A. One of the most serious objections I had was to what I consider the misuse of the mortuary fund of the company.

Q. Perhaps you would explain to the committee ; when you speak of the mortuary fund, what do you mean ? There are two funds, are there not ?—A. Yes.

Q. The mortuary fund, and what is the other fund ?—A. Dues, it was called.

Q. An expense fund ?—A. Dues for expenses.

Q. Is the paper now shown you the constitution and by-laws of the company ?—A. Yes. (*Filed as Exhibit No. 1.*)

Q. Is that the constitution as it is now ?—A. There may have been amendments to it since I left the company. That is so far as I can recall the constitution that was in force at the time of my resignation in 1899.

Q. With reference to the mortuary fund, under the by-laws and constitution was there any particular use which was to be made of that exclusively ?—A. I think I had better give the exact wording of the section. Section I of article 5, Mortuary Department, is as follows :—

‘ The Mortuary Department shall be distinct from the other departments of the Association, and all moneys received from the mortuary calls, less the cost of collecting, shall pass through said department, and, after deducting the expenses thereof, governmental taxes, legal and other expenses in defending or protecting the Association against the payment of unaudited or fraudulent claims, shall be deposited by the Treasurer in Banks or Trust Companies, designated by the Board of Directors, to an account to be known as ‘ the Mortuary Account of the Mutual Reserve Fund Life Association,’ and shall only be withdrawn from said account by transfer, on the order of the President and Treasurer to the Reserve Fund, or for investment in such securities as may be required by the laws relative to deposits to secure admission for the transaction of business by the Association, as may be approved by the Board of Directors of the Association, and which securities shall be deposited as required by article 11, Section 2, of the Constitution or By-laws; or in settlement of death claims

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under certificates of the Association, said claims having been first approved by the Executive Committee of the Association.'

My objection to what I regarded as the wrongful use of the mortuary fund was this: there were a number of policy-holders who had been admitted into the association years before, holding a plan of policy called the fifteen-year plan. The association was anxious to transfer that business to a new plan called the five-year plan, and they allowed the agent who secured the transfer not only the commission for the first year's business, although it had already been paid on the old policy and this was simply a transfer, but in addition to that, the misuse of the mortuary money was in allowing the agent the amount of the last bi-monthly mortuary call paid on the old policy in addition, thus drawing that mortuary money which had gone into the mortuary account—drawing it out and paying it as a commission to the agents on the transfer of the policy. The result of it was, that the income for the Mortuary Department was depleted to the extent of thousands of dollars and for a period of time covering from twelve to fourteen months.

Q. There would be no income at all?—A. From that particular policy there would be no income to the mortuary account.

Q. Who would get this money from the mortuary fund?—A. The agent who secured the transfer.

Q. Whereas it was not new business at all?—A. It was not new business.

Q. What was the difference between the fifteen-year plan and the five-year plan?—

A. On the fifteen-year plan there were bonds and bond statements issued, and they matured fifteen years from the date of issue of the policy and became applicable as cash then to the payment of dues and assessments; on the five-year plan they were allowed to begin to use the surplus at the end of five years.

Q. So, as a matter of fact, it was just simply a question of the surplus; which was the better plan policy, the fifteen-year or the five-year?—A. There was very little difference, really very little choice between the two.

Q. Then, when they transferred it from one to the other, did they call it new business?—A. They called it new business.

Q. Was it new business?—A. It was not new business.

Q. About how much did they say was new business which they simply transferred from one to the other?—A. The books would show, but to the best of my recollection, between twenty and twenty-five million dollars—that is the best of my recollection now.

Q. Between twenty and twenty-five million of business which was not new, they said was new and paid out of the whole mortuary fund for a year or fourteen months for what they said was securing it—is that right?—A. Well, no, not exactly. They stopped the income on it. They paid out the mortuary money that had come in, the last bi-monthly call on a great deal of that business, not the twenty-five millions, but a great deal of it, they paid out of the mortuary fund the last bi-monthly call. That covered two months' time that had already been paid in, but in stopping the income to the mortuary fund for the remaining twelve months it was because they treated it as new business, and 65 per cent of it went to the agent and the remaining 35 per cent was supposed to go to the company to cover the expenses of getting it; but the agent who secured the transfer got 65 per cent, and the general manager, a man by the name of Moss, got an overriding of 20 per cent, which thus used up 85 per cent of the first year's premium on that policy, leaving a net premium to the company of 15 per cent for the expense of getting it. Consequently, you can see, as no mortuary money came in for twelve months on the transferred policy, and two months' income of the old policy was added, it really took fourteen months of the mortuary receipts on that particular business.

Q. You say, then, they would call that new business?—A. Yes.

Q. Would they keep the old policies on the books, too?—A. Yes, for a while they would.

Q. What would be the result?—A. You would have about fifteen thousand dollars worth of insurance nominally on their books, when there was only ten—or twenty thousand when there was only ten? The way they did was this: They did not cancel off the books promptly. As soon as a transferred policy got on the books, it was included as new business and added to the footing, but they did not as promptly cancel the surrendered policy, the result being that for a while they carried both as business in force, reported it as business in force on both policies. Then, another way that they included business that was not in force was in the matter of reductions: say a man held a ten-thousand-dollar policy carried some years, and for some reasons of his own wanted to reduce it to five thousand dollars, the new policy was numbered and put through the books and footed up with the volume of business, but the cancelled ten-thousand-dollar policy was not deducted at that time, consequently, although the man only really carried five thousand dollars, for the time being it was reported as fifteen thousand dollars. I called Vice-President Eldridge's attention to that particular thing and showed him in my statement. It was just before the close of 1898, the year before I resigned. I went to the Actuary Department and asked the man in charge what was the volume of business going to be reported as new business for the year 1898. I wanted to know how much we had done. I kept a daily report of all business that was approved and sent up to the president every day, and when the Actuary Department told me they were going to report a certain amount of business, I saw it exceeded my memo. by about two million dollars, and I know I was correct, because my amount was footed up every day, and I investigated to find out, and that was the way I discovered they were carrying these reductions. When a reduction had been made, they had carried both policies as business in force. I called Eldridge's attention to that error so that it could be corrected, but his reply was such as confirmed my intention about that time to get out of the company, to resign. His answer was, that that business had been carried before in the annual statement, and that the volume of business for 1898 was not very large, and it was not a very advantageous time to make that change and cut that business out.

Q. What you mean, then, is that you began to be afraid of your personal liability?

—A. I began to be afraid of losing my self-respect and manhood if I stayed there any longer, knowing what I had found out during that year.

Q. Was there any effort made by anyone to induce you to withdraw your resignation or to return to the association?—A. There was a very strong effort made.

Q. Who was that made by?—A. By Vice-President Eldridge.

Q. He requested you to withdraw your resignation?—A. He did. He sent for me. He wanted to have an interview; well, I had enough intercourse with Mr. Eldridge from the last six months preceding that not to want to have an interview with him alone. I wanted a witness for everything that passed, and my friend and legal adviser, Mr. Pendleton, of Richmond, Virginia, was with me, and when Mr. Eldridge sent word he wanted to see me I sent up word by President Burnham's private secretary that I would see him at one o'clock, and when I went in at one o'clock I sent up my card and sent with it the card of Mr. Pendleton, my lawyer, whom Mr. Eldridge knew was my lawyer, knew that he was an insurance lawyer, and knew the close relationship existing between us, and after waiting probably five or ten minutes, we went into Mr. Eldridge's room, and I remember distinctly Mr. Eldridge opened the conversation with the remark 'Mr. Stevenson, you have made a mistake.' I said, 'in what way have I made a mistake?' He said, 'you have made a mistake in resigning from the company.' I told him I did not think so. He said, 'I want you to withdraw that resignation and stay with the company.' I said, 'No, I cannot do it.' He said, 'Nobody has seen that resignation but President Burnham and myself, not another member of the board of directors knows that you have sent it in.' He said, 'I want you to give me permission to go to President Burnham, and take that resignation and lock it in my safe and nobody will know anything about it.' Then he offered various inducements, most complimentary and for a purpose; said that our duties had drawn us

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together and he knew better than anybody else the services I had rendered to the company and the value I was to the company, and all that kind of stuff, and that he wanted me to go away and take a vacation, and he said, 'Of course, Mr. Stevenson, your salary will be sent you right along. You can go away and stay one or two, or three or four, or five or six months, and your salary will be sent you right along.' I said, 'Mr. Eldridge, that is one of the objections I have got, the use of the funds of the company in that way. If I went away and you sent the money I would feel bound to go into the employ of the company when I came back;' and I said I had no intention of going back. I said my severance of my relations was final, and I was not going back. And he said my views were strained, that I was the only officer of the company who had resigned and whose salary had stopped immediately on the resignation; and I would not allow him to send me the money. Well, he said, 'You go away if you want; let me send you the money, but do not say anything about the resignation; take a vacation and come back after your vacation.' He knew I was going to Richmond, Virginia—and he said: 'I will meet you either in Richmond, Virginia or Washington, and will come prepared to make you a proposition that it will be worth your while to accept;' and I said, 'The association cannot make me any proposition that would be worth my while to accept.' That interview lasted an hour and a half or two hours, certainly over an hour; Pendleton was present during the whole interview and heard everything that passed. When he insisted so earnestly on sending me the money I a little resented it, because I thought it looked like bribery, and I resented it rather forcibly that the company had done that and that was one of the things I was opposed to; and his reply when he saw I resented it strongly was 'Yes, Mr. Stevenson, you know and I know that there have been many things done here recently that neither you nor I could approve.'

Q. What were your duties as assistant secretary of the association?—A. Well, they were numerous; for instance, take the matter of correspondence, my correspondence was larger by far than that of any other individual officer, because it covered every range of subject, from the admission of a policy until it became a death claim. I never wrote a letter on a death claim, but everything from the time the policy was issued until that time was under my department, except agency matters. I did not write anything on agency matters.

Q. Did you have occasion in the course of your duties to inspect the books of the company occasionally?—A. Oh, yes.

Q. For what purpose?—A. Well, among my duties as assistant secretary was to pass on every change of beneficiary or assignment, to see if it was in proper form. I had occasion in doing that to examine the policy registers and see if any previous assignments or changes had been recorded. That is what I looked at the books for, and in looking at assessment books it was always best to see if the policies were in force, if you were writing to a man, before you answered his letter, and I would look at the policy register, and I looked at the general books of the company to see the agents' accounts; because, from time to time, an agent would write in, saying: 'I have collected the premium on this policy; please credit, and charge to my account.' Well, that was frequently done, because the agent's account was good for it; and I would look and see if his account would stand a debit of that kind, and I looked at the general books for that purpose.

Q. Did you ever examine the books for the purpose of ascertaining whether certain policies, which were stated by the company to be in force, were actually in force?—A. Yes; I had occasion to do that pretty soon after that interview with Mr. Eldridge, in regard to the two million dollar difference between the actuary's report and mine, because towards the close of the year business had not been as large as they had hoped, and every effort was made to increase the volume.

Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Life Insurance Company of New York :

If I may be excused for interrupting the witness, to inquire whether this investigation is to extend into the affairs of the company generally? The whole tenor of the examination seems to be directed, not with any reference to the business in Canada, but with reference to the general business throughout the world. It is a very important matter, and just illustrates one of the reasons why it seems to us very important that we should know something of the scope of the inquiry before coming with our answer.

The CHAIRMAN.—The point is well taken.

Mr. COSTER.—If they cannot pay in the States they cannot pay in Canada.

The CHAIRMAN.—Anything that affects the position of the company in Canada will be admitted. We do not want evidence of things that happened outside the jurisdiction and not in touch with the business in Canada.

By Mr. Coster, K.C., Counsel for the Committee :

Q. I want to call your attention to the policies which the company alleged to be in force, but which were not in force, as shortly as you can?—A. I looked at the book at that time, because one of the assistant secretaries, Mr. Jones, had said to me that a large number of applications had come down to his department for the policies to be written, but that the policies were not to be stamped—you know at that time there was a revenue stamp on account of the Spanish-American war; it had to go on our policies. The revenue stamp was not to be put on those policies, and they were not to be signed and delivered, but they were to be written up and entered in the books, and then they were to be sent to Dr. Bowden's office and held there for instructions. Well, in looking that up I know that the business was fictitious, that the policies would never be delivered, and I made a memorandum of four or five or six of the policies that I thought were fictitious.

Q. Would you look at that memorandum and say if it was made by you at the time?—A. Yes, that is the one I had in mind. (*Filed as Exhibit No. 2.*)

Q. Perhaps you will explain what that memorandum is?—A. These were seven of these policies that I thought would never be delivered, and were simply put in to swell the business; so before the annual meeting, but after the books had been footed to show the volume of business, I went and examined the books and these policies were included and reported as in force.

Q. What is the amount of those policies?—A. \$190,000, but they only represent a sample of a large number of them; there is \$190,000 there.

Q. There is \$190,000 that you have a memorandum of, but there were plenty more?—A. Yes; any number.

Q. Which were not in force, but reported as being in force?—A. Yes, and then soon after the report had been made up—

By the Chairman:

Q. You mean the report to the Insurance Department?—A. Yes.

Q. And that report comes to our Insurance Department?—A. Yes, and then soon after the report had been footed the cancellation clerk went through and cancelled all those policies out.

Q. Was that actually in one of the reports by the company to the department?—A. The policies were not mentioned by number, but the volume of business was reported, and the amount, whatever it was, included those particular policies.

By Mr. Coster, Counsel for the Committee :

Q. And that would be the same report that would be filed here at Ottawa?—A. It should be.

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By Hon. Mr. Domville:

Q. According to what you saw, that report was falsified that was put in?—A. Unquestionably, in my judgment.

By the Chairman:

Q. From what you know?—A. Yes, from what I know.

Q. That is the reports that were sent in to Ottawa by that company were falsified?—A. In that case to that extent anyhow.

Q. Of that you are positive?—A. Of that I am positive.

Q. You spoke about comparing the amount; you said that you kept a daily record of the new business written each day by the association?—A. Yes.

Q. The daily record of the business written each day by the association?—A. Yes.

Q. And that you compared with the statement in the Actuary's Department?—A. No, I did not compare it with the statement of the Actuary's Department; it had not been made then, but I wanted to know what the Actuary's Department was going to report, and I called and asked verbally of the man in charge, the head clerk there, and he said that he had made up the figures in a round form and that the amount of new business would be so much. I immediately noticed that it was just about two millions more than my report footed, and then I investigated to see where the discrepancy was. I knew that mine was correct.

Q. And the discrepancy was made up of things of that sort?—A. Yes, but that particular discrepancy of two millions was almost made up entirely of the reductions by carrying both the reduced policy and the original policy temporarily and reporting it as in force.

By Hon. Mr. Landry:

Q. By reporting them both in force?—A. Yes.

Q. Although only one was in force?—A. Only one in force.

By Mr. Coster, K.C., Counsel for the Committee:

Q. When they would reduce a policy from \$10,000 to \$5,000 they would report \$15,000 in force?—A. They would if it was in the last six months of the year. They did not cancel it closely. The cancellation clerk went through once or twice or perhaps three times a year, or perhaps oftener, but there was generally about six months of business that was not cancelled out.

By Hon. Mr. Landry:

Q. At all events it was the evil of their methods?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. It was a false statement made to the department of insurance being in force that was not in force?—A. That was the result.

Q. Do you know anything about the delinquent business, that being called in force?—A. Yes.

Q. That would be business upon which the premiums were not paid?—A. Yes; that business was generally carried about a year.

Q. Usually about a year after it was dropped?—A. Yes. The reason of that was, in my opinion, because under the terms of the policy they were allowed the privilege of reinstatement any time within a year by complying with certain conditions, and they claimed that they did not know which one of those policies or how many of them were going to be reinstated, and consequently a policy, if it had not paid a premium that was due in January, was carried through the year.

By the Chairman:

Q. When there was no guarantee of its being continued?—A. No.

By Mr. Coster, K.C., Counsel for the Committee:

- Q. And it was not in force?—A. No.
- Q. If the policy-holders had died, they would not have got a penny?—A. No.
- Q. The company, if they chose, could put them back again? You say they would retain that business for a year after the people dropped out?—A. Yes.
- Q. And make that statement to the department as being business in force?—A. Yes.
- Q. Under oath?—A. Yes.
- Q. That this business was in force, when it was not?—A. Yes; they were allowed to do it under the New York law—I mean, by the Insurance Department.
- Q. The Insurance Department allowed them to do that?—A. Yes, and later on they began to pursue it in their reports, but in 1898 they did not when I was there.

By the Chairman:

- Q. To what amount would that business come, roughly?—A. It is too long ago to state definitely, but I should think it would average for the five years preceding 1898 about thirty or forty millions—probably; one year I think it was in the neighbourhood of sixty millions, but that is too long ago—
- Q. That is, policies out of force, simply with the possibility of being reinstated?—A. Yes.
- Q. And they were sent in by the company as business in force?—A. Yes.

By the Hon. Mr. Domville:

Q. Statements were sent out to the public to this effect: Large increase in business; ten millions over January, or February, as the case may be. I received one, two or three days ago, and your statement is, that these statements were not only false to the department, but false to the public, out of whom they were trying to get money. I am asking what the effect would be of their sending out those statements, when as a matter of fact, they were carrying deadwood that did not exist?—A. Those statements that went out referred to new business, and did not refer to that lapsed business.

Q. You do not understand me: the volume of business in force—that was misleading?—A. Yes, it was.

Q. That was misleading to the public and false?—A. Yes.

Q. Did you call the attention of the vice-president to this discrepancy?—A. Between the Actuary's Department and mine?

Q. Yes?—A. Yes, I think the same day.

Q. He was the actuary of the association?—A. Yes, he was the actuary, as well as the vice-president.

Q. What did he say?—A. He said that that had been for years included, and that business was not as large that year—this is the substance of it—I do not know his words—and that it was an inopportune time, or not an advantageous time, to make that change and cut that business out. The result would be, of course, to show two million less than the report did show finally.

Q. Anyway, he did not do it at that time?—A. No, and I left on the 25th January, but he did not do it before that.

Q. Did you receive as assistant secretary written orders from the executive committee, verbally or in writing, as to the conduct of your business?—A. I got both, some written and some verbal.

Q. Any orders which you thought were perhaps not in the interests of the company that they should be carried out? I do not want you to state all the orders you ever had from the executive committee?—A. That order that I got in regard to the matter I have already touched on, allowing the last bi-monthly call as commission—I did not think that order was right, and then some time after they had a man named Moton D. Moss made general manager; he was the man in authority although not the constitutional officer. He gave orders. At first I paid no attention to it because I was

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supposed to be governed by the executive committee, and he complained of it, and I had a talk with the president, Burnham, and I told him that Mr. Moss had given certain orders—I do not remember now what they were—that conflicted with the previous instructions I had received from the executive committee.

Q. And the rules of the company?—A. Yes, both, and I asked him what I must do, that he had supported Mr. Moss in some cases, and his answer was one that rather offended me. His exact reply was, 'Mr. Stevenson, you will be perfectly safe in doing whatever Mr. Moss says.' It looked as if my going to him for instructions was to seek safety, and I did not like his answer, 'You will be perfectly safe in doing what Mr. Moss says,' and the result was that Mr. Moss gave orders right and left.

Q. Did you on or about the 1st April, 1897, receive from Mr. Burnham a letter, of which that is a copy?—A. Yes, I got that letter from him.

Q. Where is the original?—A. It is in the archives of the office: it was there when I left there.

Q. You have not got it?—A. No.

Q. The company have it?—A. Yes.

Q. And the other one is addressed to Mr. Moss by Mr. Burnham?—A. Yes, that is a copy of the letter sent Mr. Moss, and this other the thing that was sent me by Mr. Burnham, or a copy of it, I do not know which.

Q. You have got those both from Mr. Burnham?—A. Yes.

(Documents filed as Exhibits 3 and 4.)

Q. This document (Exhibit 4) was inclosed in the letter? Is that a copy of what it is?—A. Yes.

Mr. COSTER, K.C., Counsel for the Committee.—These Exhibits 3 and 4 read as follows:—

EXHIBIT 3.

MUTUAL RESERVE BUILDING,
305, 307, 309 BROADWAY, NEW YORK,
April 1, 1897.

Mr. J. M. STEVENSON,
Assistant Secretary.

DEAR SIR,—I send you herewith a copy of an order, which I have this day issued to General Manager Moss, regarding the commissions to be allowed upon transfers from the fifteen and ten-year plans to the new five-year combination option plan from and after this date. You will kindly see that this order is strictly complied with.

Yours truly,

F. A. BURNHAM,
President.

EXHIBIT 4.

MUTUAL RESERVE BUILDING,
305, 307, 309 BROADWAY, NEW YORK,
April 1, 1897.

Mr. M. D. MOSS, General Manager,
Mutual Reserve Fund Life Association.

DEAR SIR,—From and after this date the commissions which will be allowed and paid upon transfers from the fifteen and ten-year plans to the new five-year combination option plan will be as follows:—

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1st. Transfers of policies which have been in force at least five years will be regarded as new business, and the commissions paid thereon will be the same as those now paid for the procuring of fresh business.

2nd. Upon the transfer of policies which have been in force for a less period than five years, the commission which will be paid will be limited as follows :

(a.) One-half of the increase between the old and the new rates paid by the member during the first year.

(b.) Renewal commissions, commencing after the association has received a full annual premium, at the same rate as the agent receives under his present contract for business written on the five-year plan, less any commission paid or payable to the agent originally securing the business.

It is, of course, understood that all applications for transfers hereinbefore referred to shall be, as heretofore, made upon the regular application forms of the association, and shall be accompanied by a regular medical examination, as prescribed by the rules of the association.

Yours very truly,

(Signed), F. A. BURNHAM,

President.

(Copy.)

Q. Would you say that that was not new business and that the commission should not be allowed?—A. That is the view I took of it then, and I have no reason to change it.

Q. You mentioned with reference to the mortuary fund; for what purpose was this mortuary fund used contrary to the constitution and by-laws of the company?—A. In paying commissions to agents.

Q. Anything else that you know of?—A. That is all I can recall now. There were several ways that I did not think the mortuary fund ought to be used, but the most glaring case was that of paying commissions to agents.

Q. Did you ever receive any order to the effect that agents' commissions should be paid out of the mortuary fund?—A. No, except allowing the last mortuary call; that was taking it out of the mortuary fund.

Q. Did not your instructions have that effect?—A. Certainly.

Q. As a matter of fact, it did come out of it?—A. It did come out of it.

By the Hon. Mr. Landry :

Q. Did you say just now 65 per cent?—A. Sixty-five per cent was allowed to the agent who secured the transfer and Moton D. Moss, the general manager, got an over-riding of 20 per cent, making 85 per cent.

By the Chairman :

Q. Eighty-five per cent on the first year's premium?—A. Yes.

By the Hon. Mr. Landry :

Q. That 65 per cent was allowed to the agent as commission?—A. The commission had already been allowed when the policy was taken out.

Q. But in the subsequent years—nothing to go to the agent for that?—A. Nothing out of the mortuary.

By the Chairman :

Q. Sixty-five per cent would be taken out of the mortuary fund the first year?—A. No, none of it was taken out of the mortuary fund the first time.

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By Mr. Coster, K.C., Counsel for the Committee:

Q. But the second time they would have to take it out?—A. Yes, at the time of the transfer.

Q. Look at this document, Exhibit 5—what is that?—A. That is the form of the voucher. That was drawn for the purpose of getting the money out of the mortuary fund and crediting it to the agent.

Q. That was the form?—A. Yes. (*Filed as Exhibit 5.*)

Q. Who prepared that form?—A. That was prepared jointly by Mr. Eldridge and myself. I say jointly because after an interview with the president in which he became angry because I objected to this thing. I prepared a form to use and sent it up to Mr. Eldridge, but Moton D. Moss was the man who first talked with me and he approved the form that I drew up, and then I sent it to Mr. Eldridge and he said he would leave it on his desk; he wanted to see it a while, and in a few minutes after I was sent for to go to the president's office. I found Mr. Eldridge there with this paper that I had drawn; he had evidently talked to Mr. Burnham about it, and Burnham was very angry and the sense of his remark was that while he was not a timid man, that if that voucher went through and was a matter of record on the books of the office he would feel like taking to the woods.

By the Hon. Mr. Domville:

Q. Like what?—A. Like taking to the woods as president of the company; and then he said to me in a very angry way, 'Mr. Stevenson, it looks like as if you had laid a trap.' That was the sense of what he said, and then he said, 'Now, you know what I want. You go and talk with Mr. Eldridge and prepare the form of voucher that is to go through with these things.' And that is why I say this was done by Eldridge and myself. I sent it up to Mr. Eldridge along the line the president had ordered, and Mr. Eldridge with a pen made some slight alterations, and this was the result.

By Mr. Coster, K.C., Counsel for the Committee:

Q. This Exhibit No. 5, says:—

'Mr. J. S. Hoffecker,

'Auditor of Accounts.

'Dear Sir,—Please draw voucher for check for \$.(less cost of collection), crediting the account ofand charge to Mortuary Account, being the amount of call No. 94 under policy No. 500,000. JOHN SMITH.'

By whom would that be signed?—A. That would be signed by me.

Q. That would be for agent's commissions, would it?—A. That would be credited to agent's account. The agent's name would be credited, the account of John Smith, who was agent.

Q. His commission would be paid out of the mortuary funds?—A. That would be part of it, to the extent of the last mortuary call on the particular policy. Say, for instance, the last mortuary call was \$15, and the first year's premium was \$75, he would get \$15 of it from the mortuary account and the balance the member was supposed to pay him in cash.

Q. And was this memorandum which is here below on it?—A. Yes, that was on it. That was an explanation to show why that money was drawn.

Q. The last paragraph has nothing to do with it?—A. No.

Q. It says:—

'Memo.: This policy has been exchanged for a policy on the five-year plan No. . . . and the premium on the new policy has been credited and the new policy has been returned for cancellation.'

Is that right?—A. No, that should be the old policy has been returned for cancellation.

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Q. It continues, 'And under the terms allowed the amount of the last call paid on the old policy has been accepted as a part of the premium on the new policy. Said amount belongs to the agents, who in their settlement had accounted for the entire premium on the new policy without taking credit thereon for the amount of said last call.'

Now, on this form which you say you had drawn and which the president said he would have to take to the woods if it were used, would your form have made any difference?—A. No, not a particle of difference in the result. I used the word bonus and he took offence at that. Mr. Moss had told me that it was to be allowed as a bonus for the transfer, and I used the word bonus there instead of saying part of the commission—the allowed bonus for securing the transfer—and that made the president exceedingly angry.

Q. He did not like the nasty word 'bonus'?—A. No.

Q. That was the form that was used afterwards in paying commissions out of the mortuary funds?—A. Yes.

Q. During the year 1897 did you notice in the course of your business that certain funds which were sent in as premiums by agents were received by Mr. Moss—that is the manager of the company?—A. Yes, the general manager.

Q. And credited to his account instead of being credited to the account of the policies?—A. I did.

Q. Did you draw the attention of Mr. Burnham to this state of affairs?—A. I did.

Q. What was his answer?—A. He told me to follow the matter up and find out how much there was and all about it, and have the policies properly credited—to get the money from Mr. Moss and have the policies properly credited.

Q. Did you ever get the money from Mr. Moss?—A. I had the policies properly credited, but never got the money from Mr. Moss.

Q. By whom was the money paid in?—A. By policy holders.

Q. Have you any idea of about what the amount would be?—A. Between fifteen and twenty-two thousand dollars.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Co.:

Q. Were those Canadian policies?—A. I do not know where they were from—all over the country, I suppose. I do not suppose it made any difference to him.

By the Chairman:

Q. It might as well have come from Canada as from the state of New York?—A. As far as I know they came from the country generally. I do not know whether any of them were from Canada or not. I hardly think there were, but I have no way of knowing. The only way would be to look at the policies. The records will show every one I traced up.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And it amounted to how much?—A. Between \$15,000 and \$22,000—I think it was between \$15,000 and \$20,000.

Q. Money that this Mr. Moss got which he was not entitled to?—A. Well, he was entitled to some parts of it as his commission. For instance, if it came he got it all; it did not make any difference.

Q. You say the books of your association would show the amounts so wrongly credited?—A. Yes, I said the books would show it. The book entry would not, but the vouchers filed would show the details. Of course, the books themselves would not show that.

Q. The vouchers referred to in the books would show it?—A. Yes.

Q. Did you inform Mr. Burnham that you had been unable to collect the money from Mr. Moss?—A. Yes, I told him I had traced the matter up and asked Mr. Moss

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for a cheque for the amount, and Mr. Moss said, 'Charge it to my account,' and Mr. Burnham said, 'Go on and do it.' The policy-holders had to be credited, the money had come in and Mr. Moss had gotten it, so the policy-holders had to be credited, and they were credited and entries were made charging Mr. Moss with the amount.

Q. So far as you know, Mr. Moss never paid it back?—A. So far as I know, he never paid it.

Q. I would call your attention to a member of the company, the Mutual Reserve Fund Life Association, named Lawson N. Fuller; do you remember any peculiar circumstances about the surrender of his policy?—A. Yes, I remember a settlement they made with him which was irregular.

Q. State as shortly as you can what it was?—A. The case was this: he was a policy-holder for, I think, \$10,000. He was an old man, a man of considerable prominence in New York. He did not have the money to meet his premium in cash, so the company accepted his notes for a while for probably \$1,000, in that neighbourhood, covering different premiums until it amounted to about that. Then Mr. Fuller wanted a settlement with the company. The policy had no surrender cash value at all, and the company paid him nearly \$2,000 in cash and returned him his notes, which were never paid, and took up the policy. I hold that was an injustice to the other members of the association, because the risk had been carried on his life on the strength of his notes, which were not paid, and his policy had no cash surrender value, and they had no right to draw from the mortuary fund to make a settlement on that policy. I remember the voucher in that case was drawn, not by President Burnham, but by his brother, Mr. George Burnham, who was the one that signed it, and Mr. John W. Drooman was another, and I forget who the third was that signed it.

Q. Was Mr. Eldridge's name on it?—A. I do not think so. I am not certain about it, but there were three signed it.

Q. Can you recall the names of any agents to whom commissions were paid out of the mortuary funds by direction of the president?—A. A number of them.

Q. Perhaps you might mention a few names?—A. Well, there was a firm called Spiess & O'Connor, that was one firm; there was another firm of Baumann & Barry; there was William Jaretzky; there was the firm of Burger & O'Connor, and E. O. Lowry. On reflection, I can give you a dozen, but I guess that is enough.

Q. You can give a number of others?—A. Yes, I mentioned those because they are in New York state, most of them, except Lowry and Barry.

Q. Can you give us a rough estimate of the amount that was paid out of the mortuary fund altogether?—A. No, I cannot.

Q. The books would show it?—A. Yes, the books would show it—I should say about \$25,000. There was that much paid out as last call, more than that including bonds, statements of cash. I knew about the exact amount at one time, but it is so long ago I would not like to say now.

By the Hon. Mr. Landry:

Q. What was your salary?—A. At the time I left it was only \$75 per week. There had been a reduction in all the salaries of the officers, and mine was cut from \$85 to \$75, so at the time I resigned I was drawing \$75.

Q. What was the president's salary?—A. I think \$25,000.

By the Hon. Mr. Domville:

Q. Twenty-five thousand dollars a week?—A. Oh no, \$25,000 a year. He had other sources of income.

By the Chairman:

Q. That was his official salary?—A. That is my impression. That is what was generally understood.

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By the Hon. Mr. Landry:

Q. And the vice-president?—A. I think Mr. Eldridge got \$18,000—that is my impression.

Q. You spoke of an interview that might have taken place at Washington or Richmond?—A. He said if I would notify him he would meet me there, but I have never spoken to him since that interview I have mentioned.

By the Chairman:

Q. You said a minute ago that the president of the company had other sources of revenue; is that outside of the company or inside of the company?—A. That was rather in a jest, but I do not mind telling you what I had reference to: There was a fund left by President Harper, and a resolution was passed which enabled the president to handle that, but I do not know how much of it.

Q. What was that fund? How did it arise? Was it money belonging to the policy-holders?—A. To the best of my recollection it was in this way: in his will Mr. Harper made a bequest to his family, I think one-third, and released the company under an old contract to the amount of one-third of his claim on condition that President Burnham was elected president, and that money later President Burnham had the board of directors pass a resolution allowing him to use that one-third interest released by Mr. Harper, to the best interest of the company according to his judgment. That was the sum and substance of it.

By the Hon. Mr. Domville:

Q. How much would that be?—A. I think fifteen thousand dollars a year.

By the Chairman:

Q. That money is still being paid? The heirs are still drawing the money?—A. They were when I left.

Q. So the heirs must have been paid out of that fund?—A. Yes.

By the Hon. Mr. Domville:

Q. I understand the witness to say that when Mr. Harper died he willed his claim against the company for so many thousand dollars a year to his heirs, but that one-third of it was to go to this Mr. Burnham, and that the company is still paying that money to the heirs?—A. No. What I said was that he released to the company. His commission contract was, roughly estimated, about \$60,000 a year, and one-third of that would be of course about \$20,000. He provided in his will that if the board of directors would elect Mr. Burnham as his successor he would release to the company one-third of that sum of \$60,000.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And Mr. Burnham succeeded in getting that \$20,000 afterwards?—A. He either induced the board of directors, or they of their own free will, passed a resolution allowing him to use that fund to further the interest of the company.

Q. At his own discretion?—A. At his own discretion if he liked. He did not have to make an account.

By the Hon. Mr. Domville:

Q. As I understand, the president got \$25,000 a year salary and \$60,000 besides as commission?—A. I do not think it, because from year to year he released the company.

Q. But he was drawing \$60,000 a year besides \$25,000 as salary?—A. Yes.

By the Chairman:

Q. Is that being done to-day?—A. I do not know.

Q. It was when you left in 1899?—A. Yes.

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By Mr. Coster, K.C., Counsel for the Committee :

Q. What you mean is that Mr. Burnham was getting \$25,000 salary and one-third of \$60,000 ?—A. Yes.

Q. Did he make any account of it ?—A. Not so far as I know.

By the Hon. Mr. Domville :

Q. Would there be vouchers there to show it if he did ?—A. Certainly.

By the Chairman :

Q. You said that by the will of Mr. Harper one-third of the fund which he had control of was to go back to the company, and that the directors voted over that third to Mr. Burnham to be used at his discretion ? Were there any other conditions in that will ?—A. Yes, my memory is not fresh enough to go into that. It is too long ago

By Mr. Coster, K.C., Counsel for the Committee :

Q. You spoke of this one policy-holder, whose name you mentioned a few moments ago, giving notes for mortuary premiums; was it the habit to accept notes for mortuary premiums ?—A. It was not the habit.

Q. But it was done sometimes ?—A. Very rarely.

Q. It was against the constitution and by-laws of the company ?—A. So far as I know, it was. I did not know that they could be paid except in cash.

Q. What is your salary as manager of the Metropolitan Department of the North American Life Company ? Is it a better position than the one you had before ?—A. In immediate returns it is not as good. I draw both salary and commission. The immediate salary this year is not as much as \$85 a week.

Q. But the chances are better, you say ?—A. Yes.

Cross-examination of witness postponed until to-morrow.

June 16, 1904.

The witness having read over the foregoing shorthand report of the evidence given by him desires to say with respect to the questions and answers at the foot of page 13, lines 29, 30 and 31, as follows:—(See page 9 of Evidence as printed).

As soon as the Insurance Department at New York had it brought to their notice that delinquent policies were represented by the company as being in force, they added new lines in the blanks supplied to the company upon which the company were required under oath to set forth:—*first*, policies non-delinquent December 31st; *second*, policies delinquent on which association's liability continued during delinquency; *third*, policies delinquent on which association's liability was suspended during delinquency. See sworn report of the company to the Insurance Department in New York, December 31, 1899, page 3.

(Signed) J. M. STEVENSON.

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OTTAWA, June 16th, 1904.

The evidence of J. M. Stevenson taken yesterday was read to the Committee.

The CHAIRMAN.—If any honourable gentleman wishes to ask the witness any question he may do so now.

By the Hon. Mr. Sullivan:

Q. What year did Mr. Harper die?—A. In July, 1895.

Q. Did Mr. Burnham succeed immediately?—A. Yes, sir.

Q. In what office was he before that—during Harper's life?—A. He was counsel of the company.

Q. Was he a relative of Harper's?—A. Not that I know of.

Q. He was a lawyer, was he?—A. Yes.

Q. Are there many companies like that in the United States—I mean on that principle?—A. You mean on the assessment plan—yes, there are a great many on the assessment plan.

Q. Do you know of any in Canada?—A. I know very little about Canadian companies, excepting the one I represent. I do not know of any assessment companies in Canada. There may be the Foresters, or something of that kind, a secret order.

By the Hon. Mr. Robertson:

Q. Who drew Harper's will?—A. I could not tell that of my own knowledge. It was usually supposed that it was drawn by Mr. Burnham, but I, of course, was not present and could not answer.

Q. He was a lawyer?—A. Yes.

By the Chairman:

Q. And attorney for the company at the time?—A. He was attorney for the company at the time.

By the Hon. Mr. Watson:

Q. This sixty thousand dollars that you refer to in your evidence as Harper's claim against the company of which he willed one-third to Burnham—what claim was that? What claim had Harper on the company for the sixty thousand dollars?—A. It seems that in the early years of the company Mr. Harper, the president, had an agency contract whereby he got a certain commission on the annual dues as paid each year, and at the time of his death the business had grown so rapidly that under that old agency contract which he held, the commission amounted to about \$60,000. I do not want it to go on the record as stating \$60,000 a month.

Q. I want to know if that was a just claim Harper had against the company under the contract?—A. I know nothing about the legal part of it. I know about the contract.

By the Hon. Mr. Sullivan:

Q. He founded the company?—A. He was called the founder. It was organized really by Mr. Bloss.

Q. In your opinion had Harper the right to dispose of and direct the disposal of the \$60,000?—A. If it was his property, certainly he had.

Q. But when he died, what right had he?—A. That is a question of law.

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By the Chairman:

Q. But as a matter of fact, when he died, in 1895, this amount of commission was still paid to the heirs, and a part returned to the company?—A. Yes, for some years. I understood Mr. Harper, prior to his death, released the company of certain parts of that \$60,000, what amount I do not know.

Q. It was still his. He was making a gift of it to the Company?

By the Hon. Mr. Wood:

Q. It was an annual commission?—A. Yes.

By the Hon. Mr. Béique:

Q. It was on the renewals?—A. Yes.

Q. It depended on the amount of renewals?—A. Yes.

By the Hon. Mr. Sullivan:

Q. He died in 1895?—A. Yes.

Q. How many years afterwards was it paid?—A. I do not know.

Q. Was it paid any year after he died?—A. Yes.

Q. You do not know how many?—A. I do not know how many, because I left the company in 1899. Up to the time I left, it was being paid.

Cross-examined by Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Life Insurance Company of New York.

Q. You left the Mutual Reserve in 1899?—A. Yes.

Q. And since that time have not been connected with that company at all, as I understand you?—A. No, sir.

Q. In any shape or form?—A. No.

Q. You have been engaged in insurance business since then?—A. Yes.

Q. And with the North American Life?—A. Yes.

Q. And I suppose that daily business has pretty well occupied your time?—A. Pretty fairly, yes.

Q. How much notice had you before yesterday that you were going to be questioned about these matters that you gave evidence in regard to?—A. The first time, I think, was about ten days or two weeks ago.

Q. You have had about ten days or two weeks to refresh your memory?—A. If I desired to do so.

Q. And came here from New York for the purpose of giving evidence?—A. Yes.

Q. At your own expense or at anybody else's expense?—A. Well, I expect my expenses to be paid. They have not been paid, but I should think they would be.

Q. Were you served with subpoena?—A. I was not.

Q. You came of your own wish, voluntarily?—A. I was requested to come, yes.

Q. Would you have any objection to saying by whom?—A. Mr. Wells asked me if I would come on and give some testimony, I told him I would if I could.

Q. And arranged your business so as to admit of your attendance here, coming at your own expense primarily, but expecting to be repaid?—A. Yes.

Q. By Mr. Wells?—A. The way it is done in the United States, I expect the court, whoever it is, will defray my expenses.

Q. You expect your expenses will be borne out of some fund?—A. Yes.

Q. You were connected with this company for a period of about sixteen years?—A. Yes.

Q. When you went there first, in 1883, the company was about two years in existence?—A. It was organized in 1881, I believe.

Q. And Mr. Harper was then president?—A. Yes.

Q. And had, as you always understood, taken a very active part in the organization of the company, had he not?—A. Not in its original organization, as I understand it.

He became president in 1882, and I do not think he had any connection with it until then.

Q. And the company is purely a mutual company?—A. It was at that time.

Q. And up to the time you left?—A. Yes.

Q. It has no shareholders, in the ordinary sense of the word?—A. It had not then.

Q. Its members consist simply of whatever men are insured in it, the policy-holders?—A. Yes.

Q. And it is they who elect the directors by their votes, who manage the affairs of the company?—A. Yes.

Q. And that has always been its organization?—A. While I was with it, yes.

Q. And so far as you know, up to the present time?—A. One thing I should like to explain: they were elected by the members, either in person or by proxy. Most of the votes were given by proxy.

Q. It is like any other company where the members are scattered?—A. Yes.

Q. And there was a very large number of members up to the time you left?—A. Yes.

A. About how many thousands?—A. I do not know.

Q. As many as a hundred thousand?—A. No, I do not think so. I do not think even at the largest they ever reached a hundred thousand different members.

Q. I mean the different persons insured?—A. No.

Q. Perhaps 75,000 or 80,000?—A. Yes, I suppose at one time.

Q. Having an annual meeting and either attending personally or voting by proxy; that is right?—A. They did not all give proxies.

Q. But any one who chose gave a proxy?—A. Yes.

Q. Or any one who chose attended personally.—A. Yes.

Q. That was the organization and government of the company?—A. Yes.

Q. When you went there who was president?—A. Harper.

Q. Mr. J. D. Wells was not then connected with the company, was he?—A. I do not think so. I am not certain but I think Mr. J. D. Wells's connection began in 1883 or 1884—1883, I think.

Q. Shortly after you came there?—A. He may have been up here and represented them in Canada here. But I do not think I met Mr. Wells in 1883 or 1884.

Q. About 1883 or 1884 he first came into the employment of the association and continued with them until the very day you resigned?—A. Yes.

Q. And what position was he in?—A. He was vice-president and chairman of the executive committee at that time.

Q. And had been for a number of years, had he not?—A. I do not remember how long he had been chairman of the executive committee, but he had been vice-president for a number of years.

Q. The executive committee was a committee of the directors?—A. Yes.

Q. How many?—A. Three.

Q. Three directors?—A. Yes.

Q. And Mr. Wells as vice-president and as chairman of that committee, of course, was a director?—A. He was a director.

Q. And had been for these great number of years, you cannot say how many?—A. I do not remember how many.

Q. Then would I be correct in understanding that he was next in authority to Mr. Harper until Mr. Harper's death, and after Mr. Harper's death next in authority to Mr. Burnham?—A. Well, I should think under the constitution he would have been, but for a time Mr. Wells was in Europe.

Q. He was attending to the company's business there?—A. Yes, attending to the company's business there.

Q. The company's business extended not only over the United States and Canada, but also over Great Britain and on the continent of Europe—almost all the countries of Europe?—A. A good many of them.

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Q. And Mr. Wells was for some time on the other side of the Atlantic on the company's business?—A. Yes.

Q. With the understanding I would be right in saying that he was second in authority?—A. Not all the time. Mr. Wells was vice-president, if I remember correctly, and then part of the time Mr. Alfred Taylor was vice-president and part of the time Mr. O. D. Baldwin, but when Mr. Wells became second in authority I could not tell from memory.

Q. When did Mr. Eldridge come to the company?—A. He was connected with the company in some capacity during Mr. Harper's lifetime. How long that connection lasted, I cannot tell. I think it was actuarial work.

Q. He was the actuary of the company during Mr. Harper's lifetime, and after Mr. Harper died Mr. Eldridge became one of the vice-presidents?—A. One of the vice-presidents and actuary. You said during Mr. Harper's lifetime he was actuary; I cannot say he was. He was doing actuarial work but whether he held the position of actuary at that time, I do not know.

Q. That was his relation to the company during Mr. Harper's lifetime?—A. Yes.

Q. And after Mr. Harper's death he became vice-president along with Mr. Wells up to the time you left?—A. Mr. Eldridge had left the company before Mr. Harper's death. He was not in the office. Then at the first annual meeting, I think it was, after Mr. Harper's death he was elected vice-president, and appointed actuary.

Q. And he continued to be actuary. And Mr. Burnham, as president, and Mr. Eldridge, as vice-president, have been the managing men of the company, since 1899, since you and Mr. Wells left, so far as you know?—A. Well, so far as I know, they have been even longer than that. Although there were three members of the executive committee, it was generally understood, notwithstanding the fact that Mr. Wells was chairman of the executive committee, that vice-president Eldridge and president Burnham really controlled the company. That was the impression.

Q. That was the impression you got towards the latter part of the time you were there, I suppose?—A. It was more particularly after Mr. Moulton D. Moss came there, in 1896 or 1897.

Q. Mr. Moss first appeared on the scene connected with the association towards the end of 1895, did he not?—A. I have not refreshed any memorandum I had on that subject for a year or more. I thought it was 1896; it may have been 1895.

Q. I am told it was the very end of 1895, he first had any connection with the company?—A. It may have been.

Q. He was there at all events throughout 1896 and 1897, and the first part of 1898?—A. Yes, I think he left in July, 1898.

Q. He was there altogether possibly a little over two and one-half years, thereabouts?—A. About that.

Q. Had you ever heard of him before he came?—A. I never did.

Q. Had Mr. Wells, so far as you know?—A. Before he came to the company?

Q. Before he came to the company.—A. I do not know.

Q. You have heard since that he had a very bad record?—A. I have.

Q. That he had been convicted and undergone punishment for some crime in Australia?—A. I understood that Mr. Moss had been arrested and tried, or something, but I do not remember any conviction.

Q. Did you not understand, as a matter of general knowledge in the company after his dismissal, after it was found out that he had the record I describe, that he had been convicted and had undergone the punishment for some crime in Australia—imprisonment at hard labour?—A. No, I do not think I ever heard of that. I did hear this, that at the time he was brought over from Europe, or made a connection with the Mutual Reserve, he could not leave England, without a money settlement with some creditors.

Q. Was not that after he was connected with the company that he was liable to be capiased?—A. No, my recollection is it was before he became connected with the company.

Q. That is only arrest for debt; I am not speaking of that; I am asking if it was not arrest and imprisonment for crime in Australia, and that he had undergone punishment which was the cause of his dismissal by the company when they found it out?—A. I never heard that.

Q. He was dismissed, was he not?—A. I think he was.

Q. In the summer of 1898? He was first employed, I suppose, by Mr. Wells, was he not?—A. I do not know who first employed him.

Q. In 1895, or the beginning of 1896, when Mr. Moss came there, who was at the head of the agency department of the company?—A. I could not tell you; I really do not remember.

Q. What was your department?—A. I was assistant secretary.

Q. You could not tell me who was at the head of the agency department, in control of all their agents during 1896-1897?—A. Mr. Moss was the general manager after he came there.

Q. Mr. Moss was general manager first for the Metropolitan district around New York, and afterwards for the United States; I am asking who was at the head of the agency department?—A. Before Mr. Moss came?

Q. No, over Mr. Moss?—A. I really could not tell you that.

Q. The business of the company then was so large that it had to be subdivided into departments?—A. It had different departments.

Q. Was not the business of the company divided up into departments?—A. Yes.

Q. And was there not a department called the agency department?—A. Yes.

Q. Having charge of all the agents?—A. Yes.

Q. And was not Mr. Wells in charge of that department?—A. Mr. Wells was head of the agency department of course, but I thought you meant—

Q. He was in Europe for how long?—A. About eight or ten months.

Q. And Mr. Wells was the man who discovered Moulton D. Moss, was he not?—A. Do you mean discovered his questionable transactions.

Q. No, discovered him for the company?—A. I cannot tell.

Q. You do not know who went into the contracts with Mr. Moss?—A. I heard that Mr. Wells and Mr. Vrooman signed the contract, but who brought him to the company, I do not know.

Q. After Mr. Harper died Mr. Burnham became president, and he had the control of this fund of about \$20,000, or in that neighbourhood, which Mr. Harper had left to the company by his will, had he not?—A. After the passage of the resolution by the board of directors he was allowed—

Q. Turned it over to him?—A. To use it in his judgment for the best interest of the company, so far as I recollect the resolution.

Q. Were there any complaints—internal complaints—in the company?—A. On that point?—A. I do not know.

Q. Yes?—A. I never knew a word of that until I had left the company.

Q. After you left you heard of complaints?—A. No, of the allowance to the president. I did not know he had been drawing that money.

Q. Do you mean to say that up to the time you left in January, 1899, you did not know Mr. Burnham was handling, under a resolution of the directors, this one-third of Mr. Harper's commission?—A. That is exactly what I say.

Q. Did you know there was an investigation by a committee of the directors in the summer of 1898 as to what had been done by Mr. Burnham with these moneys?—A. Yes, I heard of that investigation—in 1898?

Q. Yes?—A. I do not remember the date, but I heard of the investigation.

Q. Before you left?—A. I never heard of the fund until after I had left—I mean of the committee having allowed Mr. Burnham to draw the fund until after I had left.

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Q. Did you not hear until after you had left that there were those complaints and that there was an investigation by the committee during the summer of 1898?—A. No; not until after I had left.

Q. Could that have gone on without Mr. Wells knowing it?—A. In the executive committee two members of it formed a quorum and they could have done it. I was not a member of the executive.

Q. You were not a member at any time?—A. No.

Q. Mr. Wells had been?—A. He had been for years.

Q. Did you hear at all before the annual meeting of 1899 that Mr. Wells would like to be president instead of Mr. Burnham?—A. I heard that in December.

Q. In December of 1898?—A. December, 1898.

Q. And that he was endeavouring to get proxies or votes to put him into that position?—A. You asked me if he desired to be president. I never heard him say so. I heard him say to the contrary, that he did not.

Q. You heard him say that he did not wish it?—A. He said he thought General James was the man.

Q. That it ought to be somebody other than Mr. Burnham?—A. Yes.

Q. And for how long before this annual meeting of 1899 was Mr. Wells taking that position, that there ought to be a change?—A. The first I knew that he desired a change in the management was, I think, in September, 1898.

Q. And what was your attitude in that regard?—A. As soon as I found out that he held that view—in fact I held the view a long time—I took the same view he did, I thought there ought to be a change.

Q. And you were willing to co-operate?—A. Yes.

Q. You were a policy-holder yourself?—A. Yes.

Q. Had you any proxies?—A. No.

Q. You had simply your own vote and position?—A. Yes.

Q. And you thought Mr. Wells was right in desiring this change?—A. Yes.

Q. Did you actually assist in attaining that end?—A. I do not know that there was active assistance, but I was in sympathy with the movement and I thought a change was in the best interest of the policy-holders.

Q. Was it a part of the understanding that if there should be that change a better and more important position should fall to you?—A. It was not any such promise or agreement or anything of that kind.

Q. We understand these things are not put into writing ordinarily?—A. The idea was if the management was changed, if Mr. Burnham was to resign or get out, that I would remain with the company. That was understood; there was no agreement.

Q. And that your position would be increased in importance?—A. I do not know that the point was brought up—oh, yes, I think it was. I think one of the ideas was that I was to be either the secretary, controller, or something of that kind. Mr. Burnham and I had spoken of that.

Q. What about Mr. Wells?—A. I never heard him express an idea of it.

Q. What was your own idea?—A. My own idea was that he was to be as he was before, head of the agency department, and General James president of the company.

Q. Was Mr. Moss in this?—A. Was Mr. Moss in what?

Q. In this understanding, to call it by a gentle name?—A. Mr. Moss knew nothing about it that I know of.

Q. Was he a policy-holder?—A. He had been.

Q. He would be a voter too?—A. Yes.

Q. You do not know whether he was in this arrangement at all?—A. I know he was not.

Q. He had been discharged in July?—A. He had been discharged or his connection severed in some way.

Q. In July, 1898?—A. I think it was.

Q. Had the change taken place as early as July, 1898?—A. I never heard of it.

- Q. Then the annual meeting was held on the 25th January, 1899?—A. Yes.
- Q. And at that meeting the overwhelming majority of votes was in favour of Mr. Burnham and the old directors, was it not?—A. I was in the meeting a very short while, and I suppose it was as unanimous as it ever was.
- Q. And Mr. Wells was dropped from the directorate altogether?—A. He was not—that was done by the members; he was not re-elected.
- Q. So he was no longer on the board? About what hour in the day would that meeting be over and that result known?—A. I do not know how many hours the meeting was held. It was called, I suppose, about noon.
- Q. And that would be all over in an hour at the outside?—A. An hour or two.
- Q. Was this resignation that you put in here on paper at that time?—A. It was.
- Q. When was it on paper?—A. My first resignation was—
- Q. This one I am speaking of?—A. This was before the day—before the annual meeting.
- Q. It is dated the day of the annual meeting?—A. I was writing it at twelve o'clock.
- Q. Twelve o'clock struck before you finished it?—A. It was at night.
- Q. And it was preparing for an evil day that might come on the morrow?—A. I had made up my mind to go.
- Q. To surrender \$75 a week for conscience sake?—A. That is exactly what I did.
- Q. Because you felt that to stay longer and take that \$75 would sacrifice your manhood?—A. Not to take the \$75 but to stay longer and remain in with my mouth closed as to certain things.
- Q. As to the wrong-doing?—A. Yes.
- Q. So you made up your mind to sever your connection before this?—A. Yes.
- Q. Was that resolution depending at all on the result of the annual meeting?—A. Yes, I had made up my mind if Mr. Burnham and the others continued I would go.
- Q. Your position, I suppose, depended on the will of the directors? They could discharge you?—A. Certainly they could, on thirty days' notice.
- Q. Whatever your contract was?—A. Yes.
- Q. You had this document prepared by your legal adviser, Mr. Pendleton?—A. Yes.
- Q. And it was not delivered until the day after the annual meeting?—A. It was delivered the morning of the 26th of January.
- Q. In leaving the company at that time, did you co-operate with Mr. Wells in what went on with regard to the company's affairs afterwards?—A. In some ways, yes.
- Q. Did you not in all ways?—A. No.
- Q. Did you join him in making a statement of charges against the management of the company before the Insurance Department of New York State on the 17th of April following?—A. I forget the date I joined with him in making some charges.
- Q. It was within three months of his withdrawal?—A. I thought it was later than April.
- Q. It was later than April before it came on for hearing, but I am told it was on the 17th of April your memorial was sent to the department?—A. I do not know that, but I signed it.
- Q. You and Mr. Wells?—A. Yes.
- Q. In that memorial did you include all the charges of wrong-doing, as you considered, that you were acquainted with?—A. That was about four or five years ago. I do not remember the charges. I have not read them for, I suppose, three years, and I do not remember now what was included in them.
- Q. These things seem pretty well impressed on your memory; can you tell me this, was there a thing that you testified to yesterday that was not included in the charges in that memorial?—A. I do not remember whether there was anything omitted or not.

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Q. Can you suggest anything you told the committee yesterday that was not included in that memorial?—A. I do not remember.

Q. You cannot remember any?—A. No.

Q. That was investigated by the department at considerable length was it not?—A. The charges?

Q. Yes?—A. It was claimed that it was and that it was not. I do not know whether it was or not.

Q. Have you not seen the report of Mr. Vanderpoel of that investigation?—A. I saw a newspaper clipping of it; I do not know whether I have ever seen the official report.

Q. You know Mr. Vanderpoel's position do you?—A. Yes.

Q. He is the chief examiner of the department?—A. Yes.

Q. And you are not sure whether you ever saw his official report or not?—A. Very likely I have seen it.

Q. It is dated the 2nd of April, 1900, it is made under oath and he states in it that he with some twelve assistants examined all the books, papers and records of the association, including the minute book and also contracts that were referred to in the charges, to make a minute report on it to the superintendent; does that come to you as news at all?—A. No, I saw a newspaper account of it.

Q. And you know that his report entirely exonerated the association and its officers of the charges which you and Mr. Wells had made against them?—A. I do not know that.

Q. Have you read his report? He says:—

'In such examination I investigated the said charges against the said association and its management, so filed, in so far as the books and records of the association were concerned, and in so doing found nothing which impaired the integrity or honesty either of Frederick A. Burnham, the president of said association or of any one else associated with him in the management of the association'?—A. Now it occurs to me the wording he has in there why I did not think it an exoneration. It says 'In so far as the books and records show'. They had a way of putting their vouchers that are not always—

Q. Who had a way of doing that? Mr. Stevenson?—A. The company. Mr. Stevenson had nothing to do with vouchers.

Q. He signed vouchers?—A. He had a form of vouchers.

Q. You controlled your department did you not?—A. Yes.

Q. And Mr. Wells controlled his?—A. Yes.

By the Chairman:

Q. You said something about the remark in so far as the books and records show? A. I say in my judgment no investigating committee could by reference to the books alone find out what was desired to get from the books.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company:

Q. Returning to what I was asking you about, the books and the vouchers during the sixteen years you had been with the company—the books and the vouchers connected with your department had been of your signature and on your responsibility?—A. Yes.

Q. Similarly, during the equal or greater length of time Mr. Wells had been at the head of his department, the books and the vouchers connected with the department had been on his responsibility?—A. Supposed to be the case.

Q. I suppose they were not falsely kept, so far as you were concerned?—A. I suppose not.

Q. On that report being made by Mr. Vanderpoel, in April, 1900, what was the next thing Mr. Wells and you did?—A. I could not tell you that,

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Q. Did you then go to the Attorney General of New York State and make an application to him under the statute law of New York that he should take proceedings to remove Mr. Burnham?—A. Some such resolution was made, and I was a party to it.

Q. Some such application?—A. Yes.

Q. Can you tell me when that application was set on foot? How soon after Mr. Vanderpoel's report?—A. I cannot tell you that.

Q. It was within a few weeks, was it not?—A. I should think it would be nearer to say within a few months.

Q. Some time within a few months, and that was an application signed by Mr. Wells and yourself?—A. Yes.

Q. And it repeated the same charges, did it not?—A. So I believe. I do not know if they were exactly the same.

Q. And applied to the Attorney General asking him to intervene?—A. Yes.

Q. Who was the Attorney General of New York State at that time? Was it Mr. Hancock?—A. I do not think so. Call over the names of the different Attorneys General and I will recollect the name.

Q. It does not signify. Did you know of a previous investigation a few months before, or a previous application of the same nature made to Attorney General Hancock by one of the men who signed with Mr. Wells and you this memorial to the Attorney General that I have been alluding to?—A. That was entirely separate and distinct from the one we sent.

Q. I believe it was.—A. Then I do not remember anything about it.

Q. It was by a man named Deming?—A. He did take some action; what it was I do not know.

Q. What was the result of this application of yours to the Attorney General?—A. There was no result that I know of.

Q. Nothing came of it?—A. I do not know of any.

Q. He declined to act?—A. I think so.

Q. He investigated independent of the insurance department?—A. I could not answer for that, because I do not know what he did.

Q. Did you not appear before him?—A. I did not. I went up there and it was held behind closed doors.

Q. You were not before him personally?—A. No.

Q. Was Mr. Pendleton?—A. No, Mr. Pendleton never appeared before him to my knowledge. I do not think he did.

Q. Did the matter remain quiet from that time, 1900, or the end of it, until this present spring?—A. There is very little time there is not some suit brought against them of some kind, so I cannot answer that.

Q. There has been a perfect carnival of litigation against the company in the United States, has there not?—A. There has been a good deal.

Q. Has any of it been fomented by Mr. Stevenson?—A. Not a particle of it.

Q. You have not been responsible for any of it?—A. For the instigation of it?

Q. Yes?—A. Excepting the application to the Attorney General and the Insurance Department.

Q. Since then you have attended to your own business and left the company's business alone?—A. I did not instigate it; I have been called as a witness.

Q. Coming to the matters you testified about yesterday, there are just one or two things I should like to have explained. Mr. Harper was a very vigorous life insurance man himself, was he not?—A. I do not know exactly how you use the word vigorous. He was a forcible man.

Q. You worked with him for twelve years or more?—A. I was with him from 1883 to 1895.

Q. And you found him a very forcible man?—A. Yes.

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Q. A very energetic man?—A. I so considered him.

Q. And a very capable, excellent, life insurance expert?—A. No. As a business getter. There is a difference between an insurance expert and a man who is able to organize and secure business. I regarded Mr. Harper as a good business getter but not a man who understood life insurance as well as a great many of less prominence.

Q. I accept what you say with gratitude; he was an excellent business getter?—A. Yes.

Q. And he built up in the time of his connection with this association a tremendous business?—A. Very large indeed.

Q. Starting of course from nothing in 1881 or 1882 when he came?—A. It was very small when he came in 1882.

Q. And it mounted up until the time of his death in 1885 to about how many millions?—A. I think at the time of his death it was in the neighbourhood of \$300,000,000—between two and three hundred millions. It is a long time ago.

Q. And that was very largely due, was it not, to his ability as an organizer and procurer of life insurance?—A. Very largely.

Q. Have you ever seen this contract under which he was receiving a commission?—A. The original?

Q. Yes?—A. No, I have read copies but never read the original.

Q. It was made before he was connected with the company at all, was it not?—A. That is what was claimed. I cannot answer it. It was claimed by some it was, and by some it was not.

Q. It was claimed at all events that before he connected himself with the company he exacted this contract or he stipulated that if he came to the company he should have a percentage of all the business of the company the world over?—A. What the stipulations of his coming to the company were I cannot answer, because it was before I went there.

Q. That was the terms of the contract?—A. I do not remember that.

Q. I want to get at how this \$60,000 came?—A. The sense of it was he was to get 20 cents on every thousand dollars insurance.

Q. That would be two cents on each hundred dollars insurance; and that had begun of course when the business was very small and the amount of that two cents commission was not large, but when it got to the hundreds of millions it was something enormous?—A. Yes.

Q. And the contract was that that was a payment which was to continue as long as that business lasted?—A. That is my recollection of it.

Q. It was not to stop with Mr. Harper's death at all?—A. That is my recollection of it.

Q. So that this large payment of \$60,000 or thereabouts which it had come to be in 1885, was simply the result of this percentage that Mr. Harper had contracted to get from the company?—A. Yes.

Q. And that was possibly altogether out of the dues account?—A. Yes.

Q. It had nothing whatever to do with the mortuary fund?—A. I always so thought.

Q. I am correct in what I say?—A. Yes, to the best of my knowledge and belief.

Q. It came from the payments called the dues?—A. Yes.

Q. How would that amount of two cents compare with the commissions that were ordinarily paid to general agents of the company?—A. Of course that was very much less than was paid to the agents securing the business, because this was on the business of everybody that came in.

Q. On the business every man he procured to be an agent or that he organized directly or indirectly—that was the bargain?—A. Yes.

Q. Then Mr. Harper died, as you told us this morning, in the summer of 1895, and by his will he provided that one-third of that contract money should be released to the company, or should go to the company, provided Mr. Burnham became president

of the company in his place?—A. Yes, and my recollection of it is five years old, but my recollection is he was not only to be elected, but re-elected for an additional time, making it a five-years term; that is the way I understood it.

Q. After Mr. Harper's death, during 1896, 1897, and 1898, during all which time you were there, this \$20,000 or thereabouts was at the disposal of the company?—A. When I first became aware of the terms of Mr. Harper's contract I do not remember, but I knew after his death, some time after his death, that there was a provision of that kind, but where I obtained the knowledge I do not know.

Q. Did you know of a resolution passed by the directors of the company on the subject in February, 1890?—A. In regard to allowing Mr. Burnham to control the fund?

Q. Yes?—A. I never heard a word of that resolution until I had left the company in 1899.

Q. You did not know of it while you were with the company?—No.

Q. Do you know it was said that Mr. Harper had, during his lifetime, out of this commission money, borne heavy expenses which might, without impropriety, have been borne by the company itself, for instance, his own travelling expenses to Europe, and things of that kind?—A. No. I cannot recall anything of the kind.

Q. Did you understand that during Mr. Harper's life he used that commission money simply for his own purpose?—A. I never knew until after Mr. Harper's death that he was getting it.

Q. After his death you knew sooner or later of the resolution of the directors as to the disposition of that fund?—A. Of that third interest?

Q. Of that third interest?—A. I never knew of that third interest until after I had left the company in 1899.

Q. And then you understood there had been a resolution of the directors in February, 1896, that it be held as a contingent fund for the purpose of meeting such items of expenditure as did not fall under the ordinary routine of the department's business?—A. I heard of that resolution.

Q. You say there was no audit of it, or that Mr. Burnham was not called upon to have it audited?—A. The information in regard to that is what I obtained after I left there.

Q. You were speaking of it yesterday?—A. Yes.

Q. You said that Mr. Burnham was not under obligation to account for that fund?—A. No, according to the resolution which I read, it exempted him from making an account.

Q. But he did afterwards account for it during the summer of 1898?—A. No, I never heard of it. If I did, I do not recall it.

Q. I thought you said a little while ago that you heard, after you left the company, that there had been complaints, and Mr. Burnham had presented his accounts and they were audited by the executive committee?—A. I do not remember having said that.

Q. Will you tell me that I was mistaken in that impression?—A. Yes.

Q. It is news to you?—A. That he presented these vouchers?

Q. Yes?—A. I do not know that I ever heard of it.

Q. Will you say that you never heard it until I state it now?—A. I cannot answer that—I do not remember.

Q. You know, I suppose, as a matter of ordinary knowledge of business affairs, of insurance matters in connection with this company, that the payments have been altogether discontinued?—A. What payments?

Q. Of this \$20,000?—A. I do not know what was done after I left the company.

Q. Did you not know there was a resolution of the directors on the subject, passed as long ago as August, 1898, discontinuing the fund and directing that no further payments be made out of that fund?—A. Yes, I heard of some such resolution, but the details I never heard.

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Q. And that the whole contingent fund was finally terminated in October, 1899?
—A. I do not remember about that. It was after I left.

Q. You could not speak of what occurred after you left?—A. No.

Q. Mr. Harper had been, while a very successful getter of business as you described, not a very sound insurance man in his methods, I should judge?—A. That is a matter of opinion. I did not regard him as an insurance expert.

Q. It is your opinion I am asking; that is the fact in your view?—A. Yes, one branch of the business.

Q. And one feature of his system of insurance is what you were referring to yesterday as the fifteen-year policy?—A. That is the plan that was enforced while he was president of the company.

Q. That is the plan on the strength of which this huge business of the company was largely built up?—A. Yes, very largely on that.

Q. That was the plan in operation when you joined the company, in 1883?—A. Yes.

Q. And continued to be the principal plan until when?—A. I think they introduced what they call the ten-year plan in 1889 or 1890.

Q. And the five-year plan?—A. About 1895 or 1896, to the best of my recollection.

Q. But prior to 1889, the whole of the business was on the fifteen-year plan, and these shorter ones were afterwards introduced at the dates mentioned.—A. To the best of my recollection.

Q. Let me see if I understand what the system was. This fifteen-year policy, as you call it, is not at all analogous to the fifteen-year straight life insurance policy, is it?—A. No.

Q. Was this fifteen-year policy this, that premiums or assessments were fixed as of the man's age at the time he entered, with the provision that the company might increase them at the end of each five years in accordance with their by-laws?—A. Yes.

Q. The amount of premium the policy-holder was to pay was fixed as of the age of the man at the date of his entry, with the proviso that the company might, according to its constitution and by-laws, increase those assessments at the end of each five years to the amount that the age which the policy-holder would then reach would warrant. Take a thousand-dollar policy and the age of the man twenty-five years?—A. The quickest way to get it is to read that clause which states that at the end of each quinquennial period the rates may be adjusted to meet the actual mortality by the association. That may not be the actual wording of the clause, but it is to that effect. If a man entered at the age of twenty-five years, and at the end of five years the mortality of the association made it necessary to increase the rate, it could be done every five years.

By the Hon. Mr. Cox:

Q. What would become of it at the end of fifteen years?—A. The reason it was called a fifteen-year policy was that on the fifth anniversary a bond or bond statement was issued representing the amount to the credit of that individual policy in the reserve fund standing at that time to the credit of the policy, and at the end of ten years from the date of the issue of the bond it could be used as cash to pay dues and assessments, so you see, it was fifteen years from the date of the original issue of a policy before the reserve fund could be used to help to pay the assessments.

Q. Did the premiums cease at the end of fifteen years, or did the policy-holder go on paying?—A. He continued to pay, but he could use that certificate until it was used up and then he had to go paying cash again.

Q. That is why you call it a fifteen-year policy?—A. Because at the end of fifteen years you could begin to use the fund in reserve and each bond matured at the end of ten years. That was the fifteen-year system.

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By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company :

Q. During Mr. Harper's incumbency, did he ever increase the assessments on those fifteen-year policies?—A. Yes, there were increases made before Mr. Harper died.

Q. Did he not always maintain the original assessment as of the date of entry?

A. As of the date of the age of entry?

Q. Yes?—A. No, I think it was during his lifetime that the increase was made.

Q. When?—A. I could not tell you that; it is so long ago.

Q. Am I not right in understanding that during Mr. Harper's time he kept the uniform rate of assessment applicable to the date of entry in respect to all those fifteen-year policies?—A. No.

Q. I am wrong in that?—A. You are wrong in that.

Q. You think he made increases?—A. Yes.

Q. Were these fifteen-year policies, in your judgment as an insurance man, on a sound actuarial basis?—A. I cannot say that I do think they were.

Q. It was proper insurance to get these transferred to the five-year policies if you could induce holders to take them?—A. No, I do not think so, and as evidence of that fact I did not change my policy.

Q. You retained the fifteen-year policy?—A. Yes.

Q. Which was more advantageous to the policy-holder?—A. I prefer it.

Q. And it would have been good insurance on the part of the company to get all its holders it could to change from the ten-year to the five-year plan?—A. Yes, I think it was good for the company, but not for the policy-holder.

By the Hon. Mr. Domville :

Q. Who is the company?—A. The company is the members, of course—by the organization.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company :

Q. From the standpoint of sound insurance it was a proper thing to get all the policy-holders to change their policies that he could?—A. I think it gave the management more power, and the policy-holder less to get the five-year policy.

The CHAIRMAN.—He has not explained the nature of the five-year policy.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company :

Q. You might let us know that. What were the five-year policies and the ten-year policies?—A. The ten-year policy was termed the ten-year distribution deposit policy and to my mind it never conveyed any idea of the nature of the policy beyond the fact that at the end of ten years you began to use your interest in the reserve fund, if there was any, instead of waiting fifteen years; that was the ten-year distribution deposit plan.

By the Hon. Mr. McSweeney :

Q. Was there any reserve funds?—A. I do not think so. But the ten years closed on these policies after I left the company.

By the Hon. Mr. Wood :

Q. Could there be a reserve fund if you increased the premiums?—A. The reserve fund could be increased by increasing the premiums.

Q. I should suppose that to be contrary to the principle of assessment. Is not the increasing of the premiums governed by the death claims that may occur during the five years?—A. Unless there is some conflict in the constitution and by-laws I should say it was.

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Q. I do not understand how there could be a reserve fund and at the same time increase the premiums.

By the Hon. Mr. Béique :

Q. I do not understand the five-year plan. Explain it?—A. The five-year plan, as distinct from the fifteen and ten-year, allowed for some option at the expiration of five years instead of waiting till the expiration of the ten or of the fifteen-years.

By the Hon. Mr. McSweeney :

Q. What were the options?—A. I think if I remember correctly the option was a surrender value if there was anything to the credit of the policy at the end of five years, and another one was that if the policy had been in force five years and lapsed and death occurred within six months after the lapse the policy would be carried anyhow; and the third provision was that at the end of ten years, if the man carried the policy ten years, mind you this is a five-year policy, but after it had been in force ten years and lapsed and the member should die within the six months it would be a valid policy.

By the Hon. Mr. Cox :

Q. What were the rates?—A. The original rates were cheaper on the fifteen-year plan at the date of entry; that is for certain ages, but I think at some ages the fifteen-year plan was as high if not higher than the ten; but as a rule the rates on the fifteen-year plan at the age of entry were a little cheaper.

Q. But they were all full life policies? The policy called for payment as long as the man lives? There were certain conditions on the policies?—A. Yes, which they would avail themselves of.

Q. They were not term policies in the ordinary sense of old line companies, as they use the term?—A. No.

By the Hon. Mr. Béique :

Q. Were the rates and the five-year plan higher than on the ten?—A. Yes.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company :

Q. How did the rates on the fifteen year at the date of entry compare with the rate in old line companies per thousand—your rates with the rates of the old line companies?—A. Well the rates were readjusted from time to time on the fifteen year class. I do not mean they were registered—although they were registered on the old business. New business was gotten where the rate for the admission of members was higher than years before on the same line?

Q. In the early days of the company when the business was growing to the dimensions you described were your rates half as much as the old line companies?—A. Scarcely half at the very first.

By the Hon. Mr. McMullen :

Q. You say that they changed straight line policies at fixed assessments to a five-year policy, and you state in your evidence that when the agent did that he was allowed some 85 per cent, or some considerable commission, upon old policies as new business, deducting that commission from the gross amount that the company would receive for the five years, would the company make money by it after all?—A. Possibly it would at certain ages. I could not answer that question without data.

Q. Would there be any balance in the transaction for the company for a five-year policy, paying out the commission?—A. I think there would. I think there would then be more money in the company than if the change had not been made.

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Q. For the five years?—A. Yes, in the five-year period.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve Company:

Q. One question about the reserve fund, since that has been mentioned. Each policy-holder, I suppose, had to contribute something towards a reserve fund, had he not?—A. That was the original plan of the company.

Q. About how much percentage on his premium?—A. A net 25 per cent.

Q. 25 per cent of the whole, net, went into the reserve fund?—A. That was the original plan. Understand that was subsequently modified by a resolution.

Q. But that was Harper's original plan?—A. Yes.

Q. After the company had been going on for some fifteen years more, and it came to the end of 1896, or thereabouts, had there been any proposal up to that time to transfer from the fifteen-year plan to the five?—A. Prior to 1896?

Q. Yes?—A. To the best of my recollection the transfer business started in 1896.

Q. The transferring started about then, and can you tell me who was the originator of the idea? After Mr. Harper's death who was the man that really started that idea of the transferring being a good thing?—A. My impression is that it was Mr. Moton D. Moss.

Q. You think it was Moss?—A. Yes, mind that is not positive, that is my impression.

Q. He had been about a year with the company?—A. You say he came in in 1895. I thought he came in about the first of 1896.

Q. And you understood that was Mr. Moss's idea?—A. Yes.

Q. Do you know who proposed it in the executive?—A. I do not. I was not a member of the executive committee.

Q. It was naturally a thing Moss would suggest to Mr. Wells. Mr. Wells was his immediate superior at that time, was he not?—A. Moss was in very close relationship with President Burnham at that time, and I suppose if he had any suggestions to make he would make them to Burnham, but I was not a member of the executive committee and cannot say as to that.

Q. Were these transfers permitted without medical examination?—A. I think in some cases they were.

Q. What was the regulation on the subject?—A. The regulation was at first, I think, that they required an examination.

Q. A new medical examination?—A. Yes.

Q. And it would have been a slightly higher, perhaps considerably higher, premium?—A. Yes.

Q. And would not the effect of that change be to relieve the association of these bonds or bond statements that were outstanding in respect of each one of those fifteen-year policies?—A. It should have been, and I think it was.

Q. So that it was a very beneficial change to the association, looking at the association as the opposite party to the contract from the policy-holders?—A. Well, it was hard to say that it was beneficial to the association and treat the member as not a part of the association.

Q. But there is a contract between the individual policy-holder and the general body?—A. Yes.

Q. Under which the general body is to pay his claim when his policy falls in?—A. Yes.

Q. Looking at it from a standpoint that the man was to pay or the people were to pay, that change was very beneficial to them?—A. I think in the majority of cases it was. It enabled the company to get more money.

Q. Would it have been possible for the association, for the company, to have prevented their policy-holders from making those transfers practically if the policy-holder wanted to?—A. Could the company have prevented him?

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Q. Yes?—A. I should think the company could.

Q. Supposing a policy-holder was convinced he would rather have the new policy could he not put in an application as of the age he then was, undergo his examinations, and take out his new policy and let the old one lapse?—A. Not always, because, although there was an examination in a great many cases, and perhaps in most cases, there were transfers made which showed the risk would not be accepted and stamped because the application was approved for transfer only.

Q. Take the case of a man who could pass a new medical examination, the company would be powerless to prevent him taking out a new policy and letting his old one lapse?—A. Certainly.

Q. And the company would have all the advantage to itself of new business by getting its policy-holders transferred?—A. But that was not new business.

Q. But it would have all the advantage of new business?—A. Yes, by increasing the income.

Q. You think it was bad insurance business to pay these commissions you have spoken of in respect of these transfers?—A. I think, under the constitution, it was wrong.

Q. Not bad insurance?—A. No.

Q. Good insurance but wrong under the constitution?—A. Yes.

Q. And that is why you thought you would sacrifice your self-respect if you submitted to it?—A. Not in that one transaction alone but others.

Q. Because you wanted to adhere to the constitution?—A. I thought it was right.

Q. Let me understand how much commission this was when there was a transfer; that 65 per cent you speak of went to the local agent who got the policy-holder to make the transfer?—A. Yes.

Q. And it was 65 per cent of what?—A. Of the first year's premium on the new policy.

Q. Which would be about how much on a thousand dollars?—A. It would depend altogether on age.

Q. Take an average, take a man thirty-five or thirty, what is an average?—A. On that plan a policy, I suppose, about \$20.

Q. The first premium would be about \$20?—A. Yes.

Q. So that a local agent would get \$13 on the transaction for a thousand dollar transfer?—A. Yes.

Q. Then in addition to that there was an over-riding of 20 per cent that went to Mr. Moss?—A. Yes.

Q. Or four dollars more?—A. Yes.

Q. And that was out of the first premium only?—A. Yes.

Q. After that no percentage to either agent or Mr. Moss?—A. Yes, renewal commission.

Q. Which would be paid whether there was a transfer or no transfer?—A. Yes.

Q. So that this transfer commission which you think was wrong to take out of the mortuary account consisted of the 65 per cent and the 20 per cent on the first premium?—A. Yes, allowing the last bi-monthly call on the policies.

Q. But there were not percentages on two?—A. No, but there were 65 per cent allowed the agent to secure the business and an over-riding commission of 20 per cent and the agent who secured the transfer was allowed the amount of the last mortuary call paid on the old policy.

Q. In addition to his 65 per cent?—A. If he got the full premium from the man.

Q. Let us understand what you are stating: Supposing a man was insured for \$1,000 on the fifteen-year plan and he made up his mind to transfer and take a five-year policy instead, while he was under the fifteen-year plan, how much would his premium be, supposing he was a man of thirty-five?—A. Well, it has been so long since I have seen those old rates and they have changed so often that I cannot tell.

Q. Give us a concrete case?—A. I should think on the old plan it would be about thirty to fifteen dollars.

Q. That would be for the year or for each two months of the year?—A. It would be the annual premium.

Q. And for two months he would pay a little over two dollars?—A. Yes.

Q. That would be his payment before the transfer?—A. Yes.

Q. What would be his payment after the transfer?—A. Well, if he paid twenty dollars a thousand—

Q. I mean the same amount of insurance?—A. It would be \$20 a year, or three dollars and something for two months.

Q. If I understand, the agent would get 65 per cent of the new premium of three dollars, and Moss 20 per cent?—A. What is that?

Q. The local agent would get 65 per cent of the first year or first payment?—A. The first year on the transfer business.

Q. On the transfer you get 65 per cent of the twenty dollars?—A. Yes.

Q. And Moss 20 per cent?—A. Yes.

Q. And would either of them get anything in addition to that?—A. After the policy had been credited, then the transfer agent would be allowed the amount of the last mortuary call paid on the policy.

Q. Is that the same agent?—A. No, the local agent.

Q. The local agent would get the same of the two payments payable on the last bi-monthly call?—A. Yes.

Q. The whole of that?—A. Less the cost of collecting.

Q. That is the system?—A. Yes.

Q. That did not affect Canadian business at all, did it?—A. Whether there were any transfers in Canada or not, I do not know.

Q. Do you know it didn't?—A. I did not know.

Q. Don't you know that Mr. Moss had nothing to do with Canadian business?—A. I know that Mr. Moss had nothing to do with Canadian business.

Q. Mr. Moss's 20 per cent never came out of the Canadian policy?—A. No.

Q. Whether there were any transfers of Canadian policies which paid Canadian local agents 65 per cent, you cannot say?—A. I cannot say, but I think transfers were made here, although Mr. Moss had nothing to do with them.

Q. Do you know whether the company kept its Canadian business distinct from its United States business?—A. I think they did in the actuary department.

Q. It would be proper insurance business to do so?—A. Yes.

Q. They kept their Canadian income invested in Canadian banks—on deposit in Canadian banks—and paid out Canadian death claims by cheques on Canadian banks?—A. I cannot answer that, because I had nothing to do with that.

Q. You told us yesterday, if I understood you correctly, that you thought the gross amount, the aggregate amount of transfers such as you describe, would be twenty to twenty-five million?—A. That is my impression, about that amount.

Q. Did you ever make any examination or calculation up to that time?—A. I kept a kind of record a long while ago—I cannot say how long—and it is from my recollection of that that I put it at that amount.

Q. It had ceased absolutely before you left?—A. It was supposed to have ceased, but I think the last transfer may have been made before I left.

Q. But, so far as you know, it was a thing prohibited before you left?—A. Yes, quite frequently an agent would say: 'This transfer was in negotiation at that time.'

Q. And many a local agent would say: 'If you don't do this, this man will drop his policy and go to some other company?'—A. Possibly.

Q. Competition was pretty keen in life insurance?—A. Yes, always has been.

Q. This business of transferring was practically at an end before you left in January, 1899?—A. Practically at an end, to the best of my knowledge and belief.

Q. And your idea of the amount of it was over twenty million, possibly twenty-five million?—A. That is my recollection.

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Q. Have you never been told that by actual computation the amount is \$11,701,000?—A. I have heard a statement of that kind was made by the company.

Q. It does not come to you at all as a surprise?—A. No, it does not come now as a surprise but it came as a surprise then.

Q. And that statement was made under oath by Mr. Burnham and Mr. Eldridge more than four years ago in answer to your charges before the Insurance Department in New York?—A. I do not know when it was made but I know it was made.

Q. And instead of being twenty-five millions it was much less than half of it. Now, to illustrate the difference that change made to the company, give me an idea, if you can, what the gross premium on that transferred insurance would be before the transfer—gross premiums per annum?—A. It is impossible for me to give you that.

Q. Quite?—A. Quite.

Q. I am told that, in that answer that I read, Mr. Burnham and Mr. Eldridge stated under oath the gross premiums before the transfer were \$202,167.79. Did you ever hear that before?—A. I do not know that I can recall that.

Q. Can you give any idea what the gross premiums on the same insurance was after the transfer?—A. I cannot.

Q. I am told they then stated under oath that it was \$413,314.53 afterwards, or an annual gain to the company by the transfer of over \$215,000. Would it surprise you at all to think that was so?—A. Well, yes, it would surprise me to think it was as much as that.

Q. You would not think it would make that difference?—A. No, just as I was surprised when I heard it was under eleven millions when it was my honest conviction it was more.

Q. If it were twenty-five millions the gain to the company, instead of being two hundred and fifteen thousand a year, would be considerably more?—A. Yes.

Q. The reason why you resigned, amongst other things, was the objection to taking this money out of the mortuary fund?—A. There were various objections.

Q. But the misuse of the mortuary fund, was an objection?—A. Yes.

Q. By taking out the commission to the agent?—A. Yes.

Q. Although it was productive of such tremendous advantage to the company, viewing it as a company?—A. From the standpoint they may have regarded it but in my judgment it did not do away with the wrongful use of the money that had gone into the mortuary fund.

Q. You thought it was a thing your manhood could not endure? You say that they had a system of keeping policies on the books after the transfer for a while. For how long would you say?—A. Well, to the best of my recollection there were no fixed dates for the cancellation clerk to go through, but there were long intervals.

Q. How long?—A. I suppose two or three times a year, probably.

Q. Two or three times a year it was the duty of some man to go through the books and note them up to date?—A. Yes.

Q. As to policies that had been transferred—is that it?—A. Policies that had lapsed.

Q. Old policies that had been transferred to the new ones?—A. Yes.

Q. And your objection in that regard was that that was not done day by day?—A. Not that it was not done day by day—that was not necessary.

Q. How often would you have thought it was necessary?—A. I think about once a week.

Q. The clerk ought to have gone through two hundred millions of insurance?—A. No, not on that.

Q. Would he not have to go through the whole?—A. No, not if he got the numbers of the policies.

Q. Single out each policy you mean?—A. Yes.

Q. Who was in charge of the cancellation department?—A. That was always done by some one in the actuary's department; I think a man named 'Champion.

Q. And your criticism in that regard was that that was not done enough?—A. Yes.

Q. That would affect nobody, I suppose, but the Insurance Department, would it?—A. How do you mean?

Q. Supposing, as a result of not cancelling, their volume of business on foot at the time of any report to the department seemed larger than it really was by a few thousand, would that affect anybody prejudicially?—A. It was misleading.

Q. How?—A. The volume of business in force much larger.

Q. It seemed to give them a better advertising hold on the public than their competitors?—A. It would have that effect, I suppose.

Q. It would not mislead any policy-holder, I suppose?—A. I think it would, if it was said that the volume of business amounted to so much, and it was really less, it would affect him.

Q. Would he care whether it was \$220,000,000, or \$221,000,00?—A. I think he would.

Q. You think the extra million would make a difference?—A. One million would make a little difference, of course.

Q. If that was a fraud on anybody it was a fraud on the Insurance Department to whom the reports were made?—A. It was an imposition on the Insurance Department and a deception to the public.

Q. One would think that it would be the surest thing, if it were true, that Vandervoel, the examiner of the department while the whole thing was fresh, would condemn. How would you reconcile such a course of business with his report that he found nothing marring the integrity of the man in charge?—A. It is hard to reconcile that statement of his with the facts.

Q. Hard to reconcile it with your evidence?—A. And the facts.

Q. You are not in a position to say that there was a single dollar of insurance in respect of which what you say was true within Canada?—A. I am not prepared to say positively that there was, but I believe the transfers were made in Canada.

Q. You think there must have been?—A. Yes.

Q. Then a word about these delinquent policies—that is policies that were in arrear—how long did you let them run?—A. That was also under the direction of the actuarial department.

Q. The same man you mentioned?—A. Yes, I think he was chief clerk at that time.

Q. Was that just in the same course of business, that he would let those pile up for two or three or four or five months before he would go through them?—A. No, my recollection of that is that they were not cancelled until they were in arrears, either five or six bi-monthly calls, but that is simply my recollection.

Q. You think they were allowed to run for twelve months?—A. Yes.

Q. And were they during that time liable to be reinstated?—A. It was possible for them to be reinstated under conditions.

Q. Supposing you had been manager, what would you have thought the proper course in regard to such policies in respect of which the holder was behind? You would not cancel them instantaneously, would you?—A. My judgment would be that they be not reported as business in force.

Q. What should be done with them? Put them aside in the suspense account? They might be in force the next day?—A. And after a policy had lapsed for eleven months they might have made some report—I think the first report where they made that correction, which they should have done all along, was the report of the 1898 business rendered in 1899. They made a foot-note explaining that certain numbers of

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policies were in suspense or on which the company was not liable or something of that kind.

Q. It is all a matter of degree? You would not think it right to write off in the report a policy that was a month in arrear?—A. Well, that would seem a hardship, but I should think under the requirements it should be done if the days grace had been allowed to pass.

Q. You think that as soon as the thirty days were up that should have been struck off altogether, although the chances are that such a policy would be re-instated?—A. Yes, it would look to work a hardship.

Q. I understood you to say in your testimony that this very course of procedure was recognized as proper by the Insurance Department of the state?—A. Yes. There is where I wanted to make a correction.

Q. What did you want to change?—A. I wanted to call attention to the foot-note in the report to the commissioner representing the twenty millions of business being really not in force. I forget the wording, but it said it was in suspense or something of that kind. That the premiums were not paid.

Q. In the report there was a foot-note pointing to this very state of things?—A. Yes, but that was not put in till after my severance of my connection with the company in January, 1899. This was in the 1898 report.

Q. And if that foot-note had appeared in the reports of the earlier years when you were there, it would have removed all objections on that score?—A. It would have removed the most serious part of it. You see there was nothing prior to that time to call the attention of the Insurance Department to the fact that there was that volume of business.

Q. That brings it back to the same thing as these transfers; the complaint is that it misled or tended to mislead the department, but the department does not seem to have felt that it was misled at all when it came to an investigation. These charges were a part of what you laid before the department, were they not?—A. Some of the charges.

Q. But these very ones with regard to the delinquent insurance and transfers not being returned?—A. I do not know whether the delinquent insurance—

Q. Was it not one of your complaints that policies were kept on the books after transfers or after lapsing?—A. Very likely it was. I have not seen a copy of it for some time. I know there were a number of charges I made.

Q. If I understood you correctly you said that policies were issued on which the revenue stamp was not placed while the revenue stamp was required. Is that the complaint, or what is it that you complain of that is wrong?—A. That is one of the features of the case, not that the stamps were not put on but as evidence of the fact in my judgment that it was not *bona fide* business. The requirements of the law were not followed in the stamping of the policies. They were never signed by the officials and were never sent out of the office, but one of the assistant secretaries told me that they had been instructed after writing the policy to send them up to Dr. Bowden.

Q. Who was he?—A. A medical director.

Q. You put in a memo. of half a dozen or so here which you took at the time and which, if I understood you correctly, were policies that were regular on their face except that they had not the revenue stamps, but which you either suspected or knew were not *bona fide* policies, were fictitious policies; am I right in that?—A. Well, it was fictitious business, not fictitious policies. Applications had come in of the business.

Q. Of living men?—A. Yes, but there was no intention of delivering policies.

Q. Do you mean to say you were not going to insure the applicant?—A. That the applicant did not make application for a policy in good faith.

Q. Do you mean a man would pay his premium and not intend to take his policy?—A. There is not one in a dozen that pays the premium before he gets the policy.

Q. As your idea was the man never intended to take out his policy at all ?—
A. That was my idea.

Q. What would be the object ?—A. It would be simply to swell the amount of the business.

Q. Would the agent get any money out of it ?—A. No.

Q. The man would make no payment, but you would go through the form of writing out a policy which was never intended to be effective ?—A. Yes, that is it.

Q. Would you people in the head office know that was being done ?—A. I suspected that was being done with that batch of business.

Q. You suspected it individually ?—A. Yes.

Q. Did any of the other officers of the society suspect it ?—A. I do not know. Mr. Jones asked me about it.

Q. Who is he ?—A. Assistant secretary.

Q. He asked you about some ?—A. Yes.

Q. And you took note of these because you thought the applicants never intended to take out their policies ?—A. Yes.

Q. Did you look to see if they had ?—A. I looked at the books shortly after the close of December, 1898, to see if the policies had been entered in the policy register or assessment register, possibly both, and I found they had been included and they were not marked cancelled or anything and stood there apparently as good insurance. I went to the same man, Champion I think it was, and asked him if he had made his footing for the business for 1898.

Q. For the purpose of the return ?—A. For the purpose of making his report to the Insurance Department. He said he had it in rough form. I said then, 'What would be the volume of it ?' and he gave me that, and that included seven policies. A short while after that, but before the 25th of January, I looked at the same documents again that I had referred to before, and these policies had been stamped as not taken, which means that they were never in force. Up to the time I left there they were never stamped with the revenue stamp, and never signed, up to the time I left, by either Lewis Jones, the secretary who signed the policies, or the other man.

Q. The affixing the revenue stamp would be the last thing before the policy left the office ?—A. Yes, if they were signed.

Q. And have you any ground for thinking that these were not policies which, when they were written, were intended in good faith to be issued and the man refused to take them ?—A. About that time—

Q. I am asking if you had any grounds for suspicion ?—A. I am giving reasons.

Q. You say you have ?—A. Yes.

Q. Let us have them ?—A. A man would put in an application for a large policy and things would be asked as to his application and so on, and it would be a good way to find out about a man's position, to find out his occupation and where he lives and so on, and if you will refer to those policies they were large amounts, and I had some reasons for thinking from the amounts—

Q. In each case you have some reason for suspicion ?—A. Yes, what the reasons were I do not know.

Q. You cannot identify the reasons ?—A. No.

Q. Let me know something of the routine of business in issuing the policy. An application would come in from an agent to the agency department ?—A. Yes, ultimately.

Q. Over which Mr. Wells presided ?—A. Yes.

Q. What would his department do with it ?—A. It would be recorded there in the various books.

Q. Then to what department would it go ?—A. It would go to the medical department; different offices have different plans. My recollection of the plan in vogue at the time I left I am giving you. It would come into the agent's department and be properly recorded there, and then go to the medical department for review by the

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medical director, and then if approved by the medical director and some other officer—I believe at that time it required another officer—and it would go then to the policy department.

Q. Who had charge of that ?—A. R. L. Jones.

Q. Who was he ?—A. Assistant secretary.

Q. And that was your department and his ?—A. It had been mine up to about two years before that, but prior to that time I simply got my reports from him.

Q. At the time these policies, which you regarded as suspicious, were written, was it not in your department to write those very policies ?—A. It was in the department.

Q. And on being written they would be stamped with the signature of the president by a stamp ?—A. Yes.

Q. The president himself would not, with his own pen, sign the policies ?—A. No, I think a stamp was used by a private secretary.

Q. If there was any writing of fictitious policies for the purpose of swelling the volume of business, tell me whose interest it was that that should take place other than the interest of your own department and Wells's department ?—A. For two years prior to my leaving the company the issue of the policies under R. L. Jones relieved me of all personal responsibilities in reference to them, except that I got from Jones a daily report of the number of applications and the amount of insurance, recorded it in the book and sent it up to the president's office every morning.

Q. I am asking you to tell me any department of that company's business whose interest was forwarded in any way by this alleged fictitious insurance other than your department and Mr. Wells' department ?—A. My department was not favoured at all.

Q. Was it in the interest of the agents to have a big volume of business ?—A. Yes.

Q. Was it in the interests of anybody else ?—A. The management of the company.

Q. The general company at large ?—A. Yes.

Q. And particularly the agents' department ?—A. Yes, I suppose it would be fair to say that the agency department would be benefited more by a big volume of business than any other.

Q. You told Mr. Coster yesterday that your opinion was there was none of them in any Canadian case ?—A. None of what ?

Q. None of that fictitious insurance ?—A. I do not remember that I told him that. I cannot recall it.

Q. What do you say now, apart altogether from what you may or may not have said yesterday ? Do you think there was any case of that kind in connection with any Canadian business ?—A. The question never occurred to me before, but I should hardly think it was. I think most of it was done by a few agents.

Q. Can you tell me, apart from whatever you may have said yesterday, whether there were any cases of that sort, fictitious policies, as you consider, from any Canadian agency ?—A. I cannot recall any.

Q. You say that you found that Moss had embezzled ?—A. I did not use that word.

Q. That he had taken to his own use premiums that ought to have gone into the treasury of the company ?—A. Yes.

Q. When did you find that out ?—A. I could not tell you that date ; I do not know. I think it was in 1897.

Q. After he had been with the company a year or more ?—A. Yes.

Q. And you, as a faithful servant, promptly notified your superior officer ?—A. Yes.

Q. And he said to collect it from him ?—A. Yes.

Q. And you made your best effort to collect it in the interests of the company ?—

A. Yes.

Q. And found it quite impossible ?—A. Yes.

Q. It was money paid in good faith by policy-holders ?—A. Yes.

Q. And you had to credit their policies with the payment ?—A. Yes.

Q. And you did so ?—A. Yes.

Q. You could do nothing but charge it to Moss ?—A. The only thing that I saw my way clear to do then, and all I see my way clear to do now, was to do as the president ordered, credit the policies and charge Moss with the amount.

Q. It was the only thing you could do ?—A. Yes.

Q. If you had been president, you could not have done anything better ?—A. Unless I prosecuted Moss.

Q. He was a man who had been through that experience before ?—A. So I heard.

Q. What has become of him now ?—A. He has gone to Europe.

Q. We are not liable to see him here ?—A. I do not know. He is liable to turn up at any time.

Mr. COSTER.—He is in New York now.

By the Hon. Mr. Beique:

Q. You stated that you had given evidence before in connection with the business of the company ?—A. Yes.

Q. On what occasion was it ?—A. I can not give them in the order that they go. I remember I was a witness in a case in which Mr. Wells figured first.

Q. What was that suit of Wells' about ?—A. I do not remember the first case. I was a witness in the suit against Patterson, or Patterson's suit against the company, I forget which, I think it was a suit against him.

Q. When the investigation was made by Mr. Vanderpoel ?—A. That was before the insurance department commissioner.

Q. You appeared before the insurance commissioner ?—A. Yes.

Q. And made your statement ?—A. Yes, verbally.

Q. You were examined by them as to your knowledge to the facts ?—A. No, I was not examined formally by the insurance agent.

Q. The statement was made in writing ?—A. Yes, filed with them.

Q. Were any witnesses examined before them, do you know ?—A. I do not think there were any examined on those charges.

Q. You made a careful statement in writing and you filed it before them ?—A. Yes.

Q. Giving all information that you thought pertinent to the investigation ?—A. Yes, I gave what I considered the best points.

By the Chairman:

Q. Was that statement on oath ?—A. To the insurance department ?

Q. Yes ?—A. I think it was ; I do not know, it has been a long time since I have seen a copy of it, but I think it was.

By the Hon. Mr. Beique:

Q. You said that in 1899 Mr. Wells wanted to displace the then president of the company at the election and replace him by General James ?—A. Yes.

Q. Was there any organization prepared in that connection ?—A. No ; no organization at all.

Q. I suppose proxies were canvassed for ?—A. I never knew of one that was canvassed for by Mr. Wells at that time or any time previous.

Q. But no special preparations were made for the purpose ?—A. Beyond the interviews he and I had from time to time.

Q. Did you take any part in trying to bring the change about ?—A. I did not. It was not a time to do it.

Q. Why ?—A. It was near the annual meeting and I understood there were going to be changes made at the annual meeting—the very changes that I was in favour of.

By the Hon. Mr. McMullen:

Q. In connection with that embezzlement by Mr. Moss, how long was that before you left the company ?—A. Well, as I said, to the best of my recollection it was 1897 that it occurred, and I left the company in January, 1899.

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Q. Mr. Moss was in the employ of the company in 1897, when he made that misappropriation or embezzlement?—A. Yes.

Q. Did he continue in the employ of the company?—A. He did for some time after that.

Q. How long?—A. I think he either resigned or was dismissed, I never knew absolutely which it was, in July, 1898.

Q. That would be a year after?—A. Yes.

Q. And you say you made the president aware of the fact that a misappropriation had taken place by one of the servants of the company?—A. I did, but you use a term I did not use. You say embezzled. I think it is only fair to state that Mr. Moss had no right to deposit that money in his private bank or to credit the policy-holders; it was his clerk, a man named Evans, kept a record and deposited it, and Mr. Moss had not two cents left, and when I went to him and told him that these policies representing from fifteen to twenty thousand in money had been treated in this way he said: 'Credit the policies and charge my account.' That was after I had asked him for the money. The president told me to go and get the money from him.

Q. Was he aware it was deposited to his account?—A. I suppose so. Evans was his right hand man, and deposited the moneys for him, and I got track of it from Evans.

Q. Was there any routine through which the moneys that came into the hands of the company for assessments passed?—A. This was not assessment money.

Q. What was it?—A. Premium money on the first policy.

By Mr. Aylesworth, Counsel :

Q. A large percentage of which would be losses on property?—A. Yes. Give the devil his due, if you will pardon the term, a large part of that money was his due; that is why I say you use too strong a term in saying embezzled.

By the Hon. Mr. McMullen :

Q. Was all the money which came in put to his credit?—A. No, the soliciting agent was entitled to 65 per cent; well, nine out of ten of the soliciting agents will take out their 65 per cent when they send in their money.

By the Hon. Mr. McSweeney :

Q. This is the first premium?—A. Yes, and it is safe to assume in nearly every case that the agent had taken what he was entitled to and the balance was what went to Moss and the company. But when the money came in, Moss's department received it and credited it to Moss's account, and there was no entry on the books at the time to show what policy was intended to be covered by that. When I saw the president and he told me to follow the matter up and get the money from Moss, I had to refer to this memorandum book which Mr. Evans agreed to give me; in fact, he saw it was either an error or something wrong, and did all he could to help me trace the funds.

Q. Moss did?—A. No, Evans, his clerk; but tracing the money was not getting it back, and the vouchers were drawn creating new policies and charging to Moss's account, and when I went and told the president that I had traced the matter and had asked Moss for the money, that Moss had told me just to charge it up to his account, then the president said—the substance of it was—'the policies have got to be credited; credit the policies and charge to Moss's account.' I think he said Moss's account was perfectly good for it.

By Mr. Aylesworth, Counsel :

Q. That was done?—A. Yes.

Q. And he had an open account with the company?—A. Yes.

Q. Do you know how it stood at the end of the year, whether the balance was in his favour or against him?—A. I do not know, but my impression is the company had a balance against him.

Q. You cannot say about that ?—A. I am quite sure the company had a balance against him.

Q. You think when he left he owed the company ?—A. Yes

By the Hon. Mr. Beique :

Q. Did you make a statement before the Attorney General about the investigation of the company's affairs ? The Attorney General made an investigation of the company's affairs ?—A. He never made any investigation.

Q. He was asked to ?—A. He was asked to take some action against Mr. Burnham—for the removal of Mr. Burnham.

Q. And he never made any investigation at all ?—A. No.

Mr. AYLESWORTH.—There was a formal application made to him by Mr. Wells and Mr. Stevenson and an answer put in on behalf of the company's management, and it stood for consideration for some months, and then he refused to act on the application.

By the Hon. Mr. Beique :

Q. I want to know if you had filed with the Attorney General any statement ?—A. Yes, there was a written statement containing certain charges, which was filed with the Attorney General.

Q. And amongst others, one prepared by you ?—A. Yes.

Mr. AYLESWORTH.—An oral argument by counsel.

By Mr. Coster, Counsel for the Committee :

Q. Look at this document ; is that a report which has been alluded to in your cross-examination ?—A. Yes. (*Exhibit 6.*)

Mr. COSTER.—With reference to the question that was raised in the cross-examination, I would call the attention of the committee to page 9, section 1 of this report, and page 10, section 5, which is the report of the examination of the affairs of the Mutual Reserve, which has been referred to. It has been stated that the charges referred to were investigated there. These sections read as follows :—

At a hearing held before me at the Insurance Department, the officers of the association and their counsel reviewed in detail the examiner's report for the purpose of requesting certain modifications to it. I believe it eminently proper at this time to discuss certain suggestions then made and to give my conclusions upon the same. The material points raised were as follows :—

1. It was claimed that reference should have been made by the examiner to the fact that this examination was primarily at the request of the officers of the association, and secondly, because of certain allegations made against its officers and its management by certain discharged officers and employees.

The examination was contemplated by this department before the request was made by the officers of the association. The allegations referred to did not cause the examination to be made. I had determined upon same prior to the filing of any charges.

The examiner was commissioned to make an examination of the association's affairs. He confined his report to matters relating to its condition and did not go into the matter of the charges referred to, but derived the information embraced in his report from the books and records of the association.

5. Objection is made to the comparison as between the insurance and membership in force December 31, 1896, and the insurance and membership in force May 16, 1899. The claim is made that the insurance in force and membership of December 31, 1896, includes a large suspended membership, representing a large amount of insurance, while the figures given as of May 16, 1899, were for membership and insurance actually in force at that date.

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The association's sworn annual statement to the Insurance Department for December 31, 1896, gives the number of policies and amount of insurance in force at the figures quoted in the examiner's report.

Mr. AYLESWORTH.—That is not a report, but a comment on a report.

By the Hon. Mr. Wood :

Q. What do I understand you was the amount of Mr. Moss's misappropriation of funds, the gross amount?—A. It was somewhere between \$15,000 and \$22,000. I think it was a little less than \$20,000; it was over \$15,000, and I think less than \$20,000.

Q. Did that include the twenty per cent he was entitled to?—A. Yes.

Q. The 35 per cent of the premiums came into his hands?—A. Yes.

Q. And he was entitled to 20 per cent of that?—A. Not 20 per cent of that, but 20 per cent of the hundred.

Q. This \$15,000 to \$22,000 represented the 35 per cent?—A. It represented more in some cases, because some agents got less and it represented less than the 35 per cent, and some agents at that time were retaining temporarily money they were not entitled to hold.

Q. But it included his 20 per cent?—A. Yes.

By the Hon. Mr. McSweeney :

Q. It was really only a disputed account?—A. I do not think you could call it that.

Q. Misappropriation?—A. I think it was a temporary misappropriation of funds.

The committee adjourned till 10 a.m. to-morrow.

OTTAWA, June 17, 1904.

GEORGE D. ELDRIDGE, sworn; examined by Mr. Coster, counsel for the committee.

Q. You reside in New York?—A. Yes.

Q. And what position do you hold in the Mutual Reserve?—A. Vice-president and actuary.

Q. How long have you been with the company?—A. Since May 21, 1894.

Q. When did the late president, Mr. Harper, die?—A. On July 2, 1895.

Q. Look at this document. Did you prepare that, or help prepare it?—A. I helped prepare it.

Q. Is it signed by you?—A. It is.

Q. And also signed by Mr. Frederick A. Burnham, the president of the company?—A. Yes.

Q. And by whom else?—A. Charles W. Camp, secretary.

Q. And when was that prepared, and when was it signed?—A. On or about the 16th day of May.

Q. Last?—A. Yes.

Q. And copies of that were sent by the company to the members of the Senate of Canada?—A. They were sent to Ottawa for that purpose, and I presume they were so delivered.

(Statement made to Senate by Mutual Reserve Life Association. (*Exhibit 7.*))

ELDRIDGE

Q. What other associations have been reinsured by the Mutual Reserve since you have been actuary or vice-president?—A. The Provincial Provident Institution, of St. Thomas, Ont.

Q. In what year was that?—A. In 1896, I think; and partially the risks of the North Western Life Assurance Company, of Chicago, Illinois.

Q. How much business did you reinsure from the Provincial Provident?—A. About twelve million dollars.

Q. And from the North Western Life?—A. Well, the actual amount of business that went on to the books from the North Western Life was somewhere between twenty-five and thirty million.

Q. Was that all paid for business?—A. My impression is that twenty-five to thirty million dollars of the North Western was the business that actually made a payment to the Mutual Reserve. I speak from memory as to those figures. As to the Provincial Provident, the business that was counted as transferred from that was the business that actually paid what was known as the transferring assessment, the one in July, 1896.

Q. And was that placed on the books of the Mutual Reserve?—A. It became with the payment of the transferring assessment, a portion of the business of the Mutual Reserve, and counted as such.

Q. At page 31 of this statement, made by the company to the Senate, I find these words, which I should like you to explain:—

‘It is entirely proper for the present management, assailed as it is, in its personality, to point out that of the assessment business in Canada but \$2,500,000, which is largely business reinsured from another company, has been placed upon its books under its management.’

What do you mean by that?—A. I mean, that of the business in force at the present time, the \$8,000,000, about \$2,500,000 is business that is placed on the books under the present management.

Q. And yet you tell me you got how much from the Provincial Provident?—A. About twelve million.

Q. And you placed that on the books?—A. Yes.

Q. And yet you only placed \$2,500,000?—A. I said that of the business now in force about \$2,500,000 was all the business placed on the books by this management.

Q. That of the assessment business in Canada, but \$2,500,000, and which is largely business reinsured from another company, has been placed upon its books under its management?—A. Yes.

Q. That is your explanation? There is only two million, five hundred thousand in force now?—A. Of the eight million now in force, \$2,500,000 is the business placed under the present management.

Q. So that all the business you got from the Provincial Provident is gone?—A. Oh, not all of it; a portion of it is in force still.

Q. I will call your attention to page 11 of this statement submitted to the Senate by the company, section 5, which reads as follows:—

‘It is absolutely false, that the former president, Mr. E. B. Harper, held a contract which gave him, either temporarily or permanently, 20 per cent of the premiums of the company, or any other percentage of the premiums of the company.’ Is that correct?—A. It is.

Q. Have you got that contract?—A. I have not.

Q. Where is it?—A. I presume it is in the possession of Mrs. Harper.

Q. Have you ever seen it?—A. I have.

Q. Have you a copy of it?—A. I have not.

Q. On the same page, a few lines further, I find the statement: ‘It is absolutely untrue that any portion of this compensation ever accrued to the present president of the company, or was ever drawn by him.’ Is that correct?—A. It is.

Q. Now, Mr. Eldridge, you remember the case of the people on the information of you against James T. Patterson?—A. I remember there was such a case.

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Q. You remember that you were examined under oath in that case ?—A. I presume I was ; I do not recollect.

Q. Take the stenographer's minutes of the evidence, of what you swore to, and I will call your attention to certain pages of it. In the first place, would you kindly explain to the committee what is meant by compensation, in the paragraph referred to here, page 11, at the bottom: 'That any portion of the compensation.'—A. Of the money that would have belonged to Mr. Harper under the contract.

Q. Money which would have been payable; there was a suit brought for that money by the Harper heirs, was there not ?—A. My recollection is that there was a suit of some kind.

Q. You do not remember much about it ?—I did not appear in the suit at all, and it is only a matter of recollection.

Q. It was not of sufficient importance to impress itself upon your memory ?—A. It was not a matter in which I either testified, or with which I had any particular personal connection, and I simply know that there was such a suit.

Q. You were a member of the executive committee, were you not, during the time that the suit was brought ?—A. My impression is that I was not.

Q. When was the suit, do you remember ?—A. I do not recollect the date of the suit.

Q. Look at page 29 of the court stenographer's minutes, which you now have in your hand, of your own evidence beginning with the question 'How about the cheques of the contingent fund ?' Do you see that ?—A. Yes.

Q. Is that the evidence that you gave ? Is that a copy of the evidence which you gave on that trial ?—A. I do not know.

Q. You do not know ?—A. No.

Q. Look at it for a moment; it purports to be a certified copy of the stenographer's minutes, certified by the sworn stenographer at the trial. You see it is that, do you not ?—A. I see it purports to be such. At this distance of time, I cannot identify it, whether it is or not.

Q. You would not like to say you did not swear to what is stated there ?—A. I do not attempt to say that I did not swear to it. I simply say at this distance of time I cannot identify whether this is the stenographer's minutes or not.

By the Hon. Mr. Gibson:

Q. How long since the trial ?—A. This was in 1891.

By Mr. Coster, Counsel for the Committee:

Q. Look at page 22; you will find the following questions put to you in what purports to be a copy of your evidence there. 'How about the cheques of the contingent fund.' Is that question there ? And the answer, 'They were not drawn to the estate ?'—A. Yes, I see it.

Q. You might read from what purports to be your evidence and tell us whether you gave that evidence or not ? Read from the question 'How about the cheque of the contingency fund ?' and tell us if you swear to that ?—A. The question is 'How about the cheques of the contingency fund ?' And the answer, 'They were not drawn through the estate.' 'Who were they drawn to ?' 'I do not recollect now.' 'Is it not Mr. Eldridge that they were drawn to the president of the association, under the resolution authorizing that contingent fund ?' 'One of them was I know drawn to his order.' 'Was not all of them drawn to his order ?' 'That I could not state now positively.' 'You said you were perfectly familiar with those transactions. Have you looked them up ?' 'I have been over these matters, but I do not recall whether they were drawn to Mr. Burnham's order or not.' 'You won't say they were not drawn to his order ?' 'No, sir.'

Q. Now, which statement is correct, the one which you make in the statement to the Senate which is signed by yourself and the president, the one in your sworn statement there, or the one on page 11 ?—A. Both are correct.

Q. Then it is absolutely untrue that any portion of the compensation was ever paid President Burnham?—A. No.

Mr. AYLESWORTH.—That is not the language.

WITNESS.—I say it is absolutely untrue that it ever accrued to him.

Q. What do you mean by that?—A. I mean, passed to him personally.

Q. What does that accrued to him mean?—A. That is it.

Q. You paid it to him?—A. It passed to him, but it is not necessarily accrued.

By the Chairman :

Q. What is the difference between the two words?—A. Accrued would mean that it passed to him for his personal use and compensation, while it might pass to him for a number of other purposes, undoubtedly did.

By Mr. Coster, Counsel :

Q. You did not intend to mislead the Senate when you say he did not get it, but you say he did not spend it for his own purposes?—A. I meant it was not spent by him for his own purposes.

Q. I could not understand it that way. Is it not a fact that a warrant was produced at the trial referred to, and the amount paid to Mr. Burnham, \$3,000, on the order of F. Underhill, secretary of the executive committee, dated 31st March, 1896—do you remember that?—A. I do not remember it.

Q. Did you swear to it or did you not?—A. I presume there was. I have no doubt that there was.

Q. Look at page 11 of the stenographer's minutes, 'On March 31st was \$3,000 paid to Mrs. Harper'?—A. These are referred to as the court stenographer's minutes. The examination was before the magistrate. I did not think there was such an officer there as a court stenographer.

Q. You can swear that you did not swear to that if you like. You can take it either way you like. If you say you did not make that statement, then I will drop it?—A. I was simply questioning the designation. I am not questioning the correctness of it.

Q. I simply want to find out whether you swore to that or not?—A. What is the question?

Q. Look at page 11, beginning 'On March 31st was \$3,000 paid to Mrs. Harper'? I am speaking of this statement. Read what is there?—A. The answer is, 'There was not.' 'Does there appear in the book from which you are reading, on page 167, an item under that date of \$3,000 as having been paid to anybody on that date?' 'There was an item of that date.' 'Complainant's counsel objects.'

Q. Would you read on please?—A. 'The Court—He ought to say to whom.' I asked whether that sum appears as having been paid to anybody on that date.' 'Complainant's counsel objects; objection sustained; exception.' 'To whom was any sum of money paid on March 31st?' 'Plaintiff's counsel objects unless it was paid to Mrs. Harper.' 'The Court—The books show who it was paid to.' 'Defendant's Counsel—It does not show what it was paid for. It shows an item was paid under the account of E. B. Harper.' 'The Court—The vouchers were paid to Mrs. Harper, if you know, Mr. Eldridge?' 'They were paid on account of the estate of Mrs. Harper and contingent fund of said association.'

Q. That is what you swore to?—A. I do not know.

Q. Will you say you did not swear to it?—A. I will neither say that I did or did not. At this length of time, from the stenographic report, I cannot state.

Q. If you did swear to it, would it have been true?—A. It would.

Q. Look at page 15 of the stenographer's minutes?—A. Yes, I have it.

Q. 'On November 4th was \$250 paid to Mrs. Harper'?—A. The answer is 'No.' 'Will you state to whom that amount was paid?' 'Plaintiff's counsel make some
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objection.' 'I have no objection to his saying it was paid to Mrs. Harper.' 'Objection over-ruled.' Then his answer is, '\$48,000 was paid to the contingent fund of the association, \$3,250 to Walter S. Harper.'

Q. That is your answer?—A. It appears from this it was.

Q. Did you swear to this?—A. I do not know whether I did or not.

Q. Will you swear you did not?—A. I won't say I did or did not.

Q. If you did swear to it, would it have been true?—A. It would.

Q. I call your attention to page 18 of the same minutes. 'On December 9th'—do you see it there?—A. 'On December 9th, \$5,000.'

Q. What is your reply?—A. 'No.' The reply is 'no.'

Q. 'Will you state to whom that sum was paid?' 'It was drawn to a contingent fund of the association.' 'I asked to whom it was paid. It was paid to that fund?' 'Yes.' Then turn to page 24 of the stenographer's minutes of your evidence. Read the question and answer at the top of page 24?—A. 'I call your attention to November 4, 1896, the time of that date, and I call your attention to two words "Moss" and "Butts," opposite that payment supposed to be made on that date, and I ask you what is the meaning of that entry?

'Mr. ELKUS.—To whom is that payment made? Unless it was made to Mrs. Harper I object to it.

'Objection over-ruled.

'A. It represents the fact that \$8,000 of the contingent fund was drawn to the order of Mr. Butts, the paymaster of the association, and carried to the contingent fund. The payment of \$3,250 was drawn to the order of Moton D. Moss, who was the agent of the association in making the payment to Walter S. Harper.'

Q. Now I call your attention to page 25 of the minutes, second question?—A.

'Q. You have testified that one cheque of the contingent fund at least was made to Mr. Frederick A. Burnham. Why was this particular payment of the contingent fund made to Mr. Butts?—A. I don't know of any special reason, excepting Mr. Butts is the paymaster of the association, and it passed through his hands to the credit of the association and the contingent fund, on the books of the association, to re-imburse payments that had been made on account of the contingent fund.'

Q. Now turn to page 26, second question?—A. 'Q. And how is your recollection with regard to the payment made on December 9, 1897, of \$5,000 which you have testified was paid to the contingent fund?—A. By examining the accounts and satisfying myself that it was paid to the contingent fund, and from the fact of confirming the knowledge that I had at the time the payment was made, and I didn't after having satisfied myself with regard to that, attempt to charge my mind with any of the details, because I was simply looking for the payments made to Mrs. Harper. Q. And you don't know to whom that was paid?—A. I cannot tell now to whom it was drawn. I have testified that I know that one of these cheques was drawn to the account of Mr. Burnham, but which one I don't know. Q. Would the warrants in each case show to whom the payments were made?—A. They would.'

Q. Now I call your attention to page 12 of Exhibit 7, statement made to the Senate by the company. I am reading from section 6, which is in italics;—'It is absolutely untrue, as charged, that the late president willed any proxies held by him to the present president, or that any proxies given to the former president have ever been voted by the present president of the company.'—Is that correct?—A. Yes.

Mr. COSTER.—I would offer a certified copy of the will of the late President Harper, certified by the Surrogate Court as *Exhibit No. 8*. The will is as follows:

'IN THE NAME OF GOD, AMEN.

'I, EDWARD B. HARPER, at present residing at No. 28 West fifty-seventh street, in the city of New York, in the county and state of New York, being of sound and dis-

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posing mind, memory and understanding, and considering the uncertainty of this life do make, publish and declare this to be my last will and testament, in manner and form following, that is to say;

1st. I direct that all my testamentary and funeral expenses, and all my just debts be paid out of my estate by my executrix and executor hereinafter named as soon as practicable after my decease.

2nd. I authorize and empower my executrix and executor hereinafter named to expend a sum not exceeding two thousand dollars for a suitable monument or stone to be erected over my remains and to set aside and invest the further sum of one thousand dollars, the present interest upon which shall be used in caring for the same and my burial plot.

3rd. It is my desire that such insurance as may be upon my life at the time of my decease, whether payable to my wife as beneficiary or to my estate, or otherwise, shall form part of the trust fund of one hundred thousand dollars for the benefit of my wife, Emma U. Harper, as in this clause of my will provided. Therefore, upon condition that such insurance moneys shall be so used, I hereby direct my said executrix and executor to pay over to the Central Trust Company, of the city of New York, as trustee such additional sum from my estate as with said insurance moneys shall amount to the sum of one hundred thousand dollars, the fund thus created to be held by said Trust Company as trustee, and from time to time invested in bonds secured by first mortgages on improved real estate in the city of New York, the interest upon which, after paying the proper charges of said trustee, shall be paid over to my said wife, as received, and at least as often as semi-annually during her life. And I do further direct that my said wife shall be at liberty to use such part of the principal sum of said fund of one hundred thousand dollars as my said executrix and executor shall deem advisable, not exceeding, however, any one year the sum of five thousand dollars. And upon the decease of my said wife, I direct said Trust Company to pay over the principal of said sum of one hundred thousand dollars, or the unused portion thereof, to such person or persons as she by her last will and testament or instrument in the nature thereof may direct.

4th. After the aforesaid trust fund for the benefit of my wife shall have been created, I do give and bequeath from the remainder of my estate the sum of two thousand dollars to my cousin Josephine Lippincott, formerly Josephine Palmer.

5th. I also direct my said executrix and executor, from the remainder of my estate to distribute the sum of two thousand dollars equally among such children as shall have prior to my death been named after me, and whose claims and proofs of identity shall, within twelve months after my decease, be presented to my executrix and executor.

6th. I give and bequeath from the remainder of my estate the sum of five thousand dollars to the trustees of the Masonic Hall and Asylum Fund, to be by them used towards the erection of a hospital or industrial school, as said trustees may deem best.

7th. I give and bequeath unto my beloved wife, Emma U. Harper, all of my household furniture and furnishings, paintings, pictures, ornaments, jewellery, bric-a-brac, wearing apparel, books, musical instruments, horses, carriages, harness and appurtenances as her absolute property, she to give to my sister and to each of my brothers who survive me such personal memento from my effects as she in her discretion may deem proper.

8th. All moneys which from and after my decease may become due and payable from the Mutual Reserve Fund Life Association, under the contract or agreement made between myself and said association prior to my assuming the duties of president thereof, I do give and bequeath as follows, viz. :—

One-third thereof to said association, subject to the condition in favour of Frederick A. Burnham, hereinafter mentioned. One-third thereof to my said wife, Emma U. Harper. One-third thereof to my brothers, Franklin H. Harper, George W. Harper and Walter Scott Harper, and my sister, Annie Davis, wife of Harry Davis, share and share alike, and to their heirs per stirpes and not per capita.

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9th. All the rest, residue and remainder of my estate and property, of whatsoever the same may consist, or wheresoever the same may be situated, I do give, devise and bequeath as follows, viz.: One-half thereof to my said wife, Emma U. Harper, and one-half thereof, share and share alike, to my sister and three brothers hereinbefore named.

10th. In case of the death of my said wife prior to my decease, I do then give and bequeath to the trustees of the Masonic Hall and Asylum Fund the portraits in oil of my wife and myself, and I do also in such case give and bequeath all my estate and property except the bequests and legacies hereinbefore made for my cousin Josephine Lippincott, my namesakes trustees of the Masonic Hall and Asylum Fund and Mutual Reserve Fund Life Association, which bequests and legacies I direct to stand as follows, viz.: One-fourth thereof to be divided equally between my brother-in-law Franklin Underhill and my sister-in-law Marion W. Amsden, and the remaining three-fourths there to be equally divided between my sister and three brothers hereinbefore mentioned, all of them and their heirs per stirpes and not per capita.

11th. I have devoted my life to the upbuilding of the Mutual Reserve Fund Life Association and it is my earnest desire that the association should continue to grow and prosper. To this end I request my fellow directors in the association in the event of my death to elect as my successor as president my friend Frederick A. Burnham, who has been intimately associated with me during recent years in my work for the association, and who therefore fully understands my plans and purposes for its perpetuity and prosperity.

And I therefore assign and transfer to said Frederick A. Burnham all proxies which I hold from members of said association, and hereby name, constitute and appoint him as my substitute or attorney to use and vote said proxies in the same manner that I myself could do at any meeting of said members or otherwise, if living and personally present, and whereas I have hereinbefore bequeathed to said association one-third of the income payable under my contract or agreement with it; I do hereby declare that such bequest is subject to this request with reference to the election of said Frederick A. Burnham as president of said association being complied with for the period of at least five years in case said Frederick A. Burnham is then living and in good health; and if said request be not complied with then and in that event I do give and bequeath said one-third of the moneys payable under said contract or agreement which would otherwise be payable the said association to said Frederick A. Burnham for the period of five years.

12th. I hereby nominate, constitute and appoint my said wife Emma U. Harper and my brother George W. Harper, and in the case of the death of either of them my brother Franklin U. Harper, to be executrix and executors of this my last will and testament, hereby revoking all former wills by me made.

In witness whereof I have hereunto set my hand and seal this 2nd day of January, in the year one thousand eight hundred and ninety-five.

EDWARD B. HARPER [Seal.]

Subscribed by Edward B. Harper, the testator named in the foregoing will in the presence of each of us, and at the time making such subscription the foregoing instrument was declared by said testator to be his last will and testament and each of us at the request of said testator and in his presence and in the presence of each other sign our names as witnesses thereto at the end of the will.

JOHN W. WILLIAMS, residing at No. 232 E. 85 street, New York City.

ANNIE MCCARTHY, residing at No. 28 West 57 street, New York City.

Form 61
County of New York. } ss.:
State of New York, }

I, James A. Donnelly, Clerk of the Surrogates' Court of said County, do hereby certify that I have compared the foregoing copy of the last will and testament of Ed-
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ward B. Harper, deceased, with the original record thereof now remaining in this office, and have found the same to be a correct transcript therefrom and of the whole of such original record.

In testimony whereof I have hereunto set my hand and affixed the seal of the Surrogates' Court of the County of New York, this 24th day of May, in the year of our Lord one thousand nine hundred and four.

JAMES A. DONNELLY,
Clerk of the Surrogates' Court.

Q. I will read this section of the will:—

'And I therefore assign and transfer to said Frederick A. Burnham all proxies which I hold from members of said association, and hereby name, constitute and appoint him as my substitute or attorney to use and vote said proxies in the same manner that I myself could do at any meeting of said members or otherwise, if living and personally present, and whereas I have hereinbefore bequeathed to said association one-third of the income payable under my contract or agreement with it; I do hereby declare that such bequest is subject to this request, with reference to the election of said Frederick A. Burnham as president of said association, being complied with for the period of at least five years in case said Frederick A. Burnham is then living and in good health; and if said request be not complied with, then and in that event I do give and bequeath said one-third of the moneys payable under said contract or agreement which would otherwise be payable the said association to said Frederick A. Burnham for the period of five years.'

Would you kindly explain how you make those two statements tally?—A. Mr. Harper did undoubtedly attempt to assign his proxies to Mr. Burnham.

Q. What did you mean when you said here, over your own signature in italics—'it is absolutely untrue as charged that the late president willed any proxies held by him to the present president?—A. That he attempted to assign them to Mr. Burnham, that they were not assignable, that they were not anything that could be transferred by will, and that they were not so transferred.

By the Chairman :

Q. The statement here is that it is absolutely untrue that the proxies were willed?—A. Well, if it comes to that question, then I am perfectly willing to admit that in that interpretation of the word, Mr. Harper's will contained a direction to transfer those proxies to Mr. Burnham, and with that strict interpretation, that statement read in that way would probably be technically incorrect.

By the Hon. Mr. Landry :

Q. Could it be interpreted otherwise?—A. Yes, it seems to me.

Q. In what way?—A. That the willing requires the transfer of something that is capable of transfer, and nothing of the kind was given or transferred.

Q. That is discussing the legality of the transfer. That is putting in doubt the legality of the transfer?—A. I do not know that I understand the question.

Q. That explanation puts in doubt the legality of the transfer?—A. I am willing to rest it on that, that it is the legality of the transfer as far as that is concerned, and the principal point that I was covering in that answer was the question of the voting, which is absolutely and unquestionably true.

By the Hon. Mr. Gibson :

Q. In other words, the disposition of the proxies by Mr. Harper was of no effect, so far as the company is concerned?—A. Yes.

By the Hon. Mr. Landry :

Q. And it is in that way that he made no will?—A. It is in that way I intend that section to be understood. I am perfectly frank in admitting that in the strict inter-

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pretation of it, it does not convey the exact meaning I intended, and I regret that it seems to have confused the issue in any way, because the statement I would have made would have been just as forcible and covered the ground the same, and I regret that anything should have arisen from it.

By the Hon. Mr. Gibson :

Q. What you mean is that the proxies willed by the late president could not be made use of at all?—A. Could not be made use of at all.

By Mr. Osler, Counsel :

Q. The statement is very definite; now you say the meaning of that is that the will was not legal?—A. The exact meaning would only be determined by reading it in connection with the charge that was made.

Q. Look at Exhibit No. 6 and tell me what that is?—A. It is a document containing from pages 17—

Q. I am asking you what the whole thing is: read the title?—A. The title of it is 'Report of the Superintendent and Examiner of the Insurance Department, of the Examination of the Mutual Reserve Fund Life Association of New York City, as of May 16, 1899.'

Q. This includes a report which was made by Mr. Vanderpoel, and also by Lewis F. Payne, Supt. of Insurance. I suppose you have seen that before?—A. It includes a report made by Mr. Vanderpoel, the chief examiner, and the comments on it by the superintendent, Mr. Payne, and I have seen it before.

Q. I will call your attention to page 9, section 1:—

'It was claimed that reference would have been made by the examiner to the fact that this examination was primarily at the request of the officers of the association, and secondly, because of certain allegations made against its officers and its management by certain discharged officers and the employees. The examination was contemplated by this department before the request was made by the officers of the association. The allegations referred to did not cause the examination to be made. I had determined upon same prior to the filing of any charges. The examiner was commissioned to make an examination of the association's affairs. He confined his report to matters relating to its condition, and did not go into the matter of the charges referred to, but derived the information embraced in his report from the books and records of the association.'

Now, you say that there was an examination made into the charges, in the face of that?—A. Yes.

Q. You say there was in the face of that report of the superintendent?—A. Yes.

Q. Now, show me in Mr. Vanderpoel's report anything relating to the charges?—A. The statement of the superintendent that there is nothing in the report as to the matter of the charges is absolutely correct. Mr. Vanderpoel did not make any statement in this report as to the charges.

Q. The superintendent, then, does not tell the truth when he stated that he did not go into the charges?—A. He does not state that he did not go into the charges. He says—

Q. I do not understand the English language if he does not?—A. He says that Mr. Vanderpoel did not go into the matter of the charges referred to in his report, and that is absolutely correct.

Q. 'He confined his report to matters relating to its condition, and did not go into the matter of the charges referred to, but derived the information embraced in his report, from the books and records of the association.' You say what that means is, he did go into the charges?—A. That does not say whether he went into the charges or not. It says that he did not go into the charges in his report, and that is absolutely correct. He does not refer to the charges in his report.

Q. That is what it means, you say?—A. That is all that that means.

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Q. And you think if there were charges of fraud, they would be written in full on the books of the company? Had there been anything wrong, would you have put it on the books?—A. The matters that were charged were on the books of the company, and were derived from the books of the company.

Q. Have you a letter that was asked for in the notice to produce, a letter dated June 25, 1898, from one Vrooman, who was the treasurer of the company, to Mr. F. A. Burnham?—A. I have not got the letter.

Q. Where is the letter?—A. I do not know.

Q. You did not attempt to produce it, at any rate. Look at this copy now shown you, and tell me if it is a copy of that letter?—A. Of course I should not be able to identify a copy of a document as long as this, which I have not seen for six years. (*Filed as Exhibit 9.*)

Q. The letter is as follows:—

June 25, 1898.

Mr. F. A. BURNHAM, President,
Mutual Reserve Fund Life Association.

MY DEAR MR. PRESIDENT,—Supplementing my two communications of March 31, 1898—the one referring to the contract of General Manager Moton D. Moss, and the other to economy in our expenditure—I deem it my further duty to make an additional statement in the direction of protecting the best interests of the Mutual Reserve.

In view of the fact that we have been, during the past three or four months, undergoing an official examination by the New York Insurance Department, I feel constrained to postpone the bringing to your official notice several important questions pertaining to the well-being of this association that demand attention from the inside, to the end that the vital interests of one and all of the members may be fully and practically protected.

The report of the department is now in our hands, and it should be followed by intelligent and determined effort to profit by its suggestions, and we should be warned by its danger signals.

Neither passion, prejudice, suspicion, criticism, nor condemnation by word or deed, on the part of any officer will remedy an error or institute a reform. Actual, open, manly, faithful performance of unselfish duty will alone protect us from present, or future fault or embarrassment. United action, upon mutual consultation, must be had, if we are to be favoured with permanent prosperity.

The report of the superintendent will be of little avail unless it is immediately and intelligently considered.

The report mentioned will be of slight service unless it be carefully considered in the broad spirit suggested.

Consideration should not be postponed. Permit me to call your attention to one feature that is practically before us and the officers of the association must not lightly consider it.

Page 11 of the report states, 'that we are credited with \$528,022.04 of real estate at *book value*. (It is significant that the words 'Book Value' are indicated by italics).

Page 13 of the report states, 'The company's books show that there was in force December 31, 1897, on account of bond statements, \$1,626,457.92.'

These two items aggregate \$2,154,479.96.

Page 17 of the report, Exhibit 'F,' gives us a balance of invested and other assets, not including mortuary and dues resources, over liabilities, of \$1,531,981.34.

We must face facts and not deceive ourselves. Is it not within the range of possibilities that one or more commissioners from other states might decide that our bond statements contain certain elements of liabilities, and that a ruling might be made whereby the investment in the Mutual Reserve Building would be classed among

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assets as possessing no actual cash value? Should such action be taken, the above figures would show a deficit of \$622,498.62. We claim, however, by way of further credit, that the assets should be increased by one mortuary call. Allow this credit, and I believe it ought to be allowed, we are still slightly deficient on the right side, because, as you know, a present call will scarcely realize the net figures last mentioned.

As a prudent business man you will, therefore, quickly appreciate the possible danger confronting us, in this single direction. In case a commissioner should seek an excuse to criticise the asset value we put upon the building, he might claim that the board of directors has not carried out its resolutions to set apart, at stated intervals, certain stipulated sums as a sinking fund to ultimately reimburse the building account. And in this connection, I call your official attention to the excessive rent the Mutual Reserve pays from its treasury for its present home office quarters. If we had unlimited means at our command, the quarters might not be considered too extensive and commodious, but with out present financial condition we should regulate the space we occupy and expense therefor, by our income and amount of business received. Decrease in income and decrease in old and new business ought to be followed by smaller quarters and reduced rental.

The Mutual Reserve now pays as rent for the present home office more than fifty thousand dollars per annum, more than double the amount of rent paid for the home office when located in the Potter building; and let us not forget the fact that during the last years of our occupancy of that building we had a larger amount of insurance in force, and were receiving a larger amount of annual new business than during the year or two past.

Considering further the reduction of expenses in order to increase our assets, I deem it my imperative duty in the interests of the members of the association, to call your official attention to another matter of pressing importance at the present time.

I refer to all and singular the transactions, facts and figures covering the vouchers, statements, accounts and contracts of General Manager Moton D. Moss, and request you to take immediate steps to correct what seems to be a number of errors, and thereby save this association considerable sums of money.

It is better for you, as president, to correct any errors than some other official, either in or out of the association, which would be followed by much criticism.

I make this request with the deepest sincerity of purpose, and without any prejudice whatever against Mr. Moss, and I want to emphatically state that so far as has ever come to my knowledge Mr. Moss has, by both word and act, accorded me courtesy and compliment. My personal feelings are, therefore, entirely favourable to him.

The present, however, is not to be measured by personal feelings alone. I represent others as an official in this association, and am, therefore, responsible to the one hundred thousand members, and so long as I remain such official I shall conscientiously exert my best endeavours to protect and strengthen the interests of each and every member of the association. In my judgment the time is at hand when heroic and aggressive action must be taken to disarm criticism, discontinue endless and expensive litigation, and dispense with other difficulties that stand in the path of our progress. Such action would check the present decrease of new business, present decrease of income and present decrease of membership. It is a lamentable fact that the new business for this year will not probably exceed 60 per cent of the average of a number of years past, although the largest, most liberal and most independent advances, allowances and contracts are freely accorded the department having this branch of business in charge.

In view of the decreases mentioned, our expenditures should correspondingly decrease in all directions. A commendable beginning in this regard has been made by way of a reduction in our official salary list, which meets my hearty approval, as is evidenced by my letter of March 31, 1898, before referred to. This is but the initial step in the right way. I hope you will continue the use of the pruning knife of eco-

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nomy all along the line without fear or favour, and thereby add to our ability to pay death claims now past due.

In your annual address, January, 1897, you stated that death claims were paid within thirty days after final approval. Unfortunately that statement does not hold good. You and I know, to our great embarrassment as well as to the great embarrassment of friends both in and out of the association, that the average payment after due-time, for final approval, approaches nearer one hundred than thirty days. Hence, my dear Mr. President, to again make good your commendable statement above mentioned, we must adopt more stringent measures to secure every available dollar to pay death claims. We cannot do this with satisfaction to our members by simply repeating the general statement 'to collect more money.' We must couple with that statement the determined purpose 'to spend less money.' With this last suggestion in mind, I again call your attention to my letter of March 31, 1898, objecting to a continuation of the contract of General Manager Moss, and as one of the reasons for objecting to a continuance, I hereby officially notify you that on the 15th day of January, 1898, I join Vice-president Eldridge and yourself in signing a voucher to credit the account of Mr. Moss, with the sum of \$93,810.78. This voucher was signed by me upon the information that the then existing contracts by and between Mr. Moss and the Mutual Reserve had been and would be carried out in accordance with its terms and conditions. To ascertain this fact, to the end that this association, yourself, and myself, may be protected, I demand that an immediate investigation be had so as to properly determine how much of the said sum of \$93,810.78 has been applied in liquidation of agents' debit balances under the said contract, and how much of said sum of \$93,810.78 has been practically retained by Mr. Moss.

I also call your official attention to certain other vouchers covering commissions claimed by Mr. Moss to be due him under his 1897 contract, cancelled in January, 1898.

Several days ago a voucher was brought me for signature which covered commissions claimed by Mr. Moss for May, 1898, under the 1897 contract. Those commissions amounted to \$774.10. I decline to sign the voucher because I do not believe that the commissions under the 1897 contract are continuing, in view of the later contract, and matters connected with those contracts.

About February 1, 1898, a similar voucher was brought me, which covered the sum of \$3,009.24. I was advised that you had approved the statement of account upon which this voucher was issued, and that you had decided the amount was properly due Mr. Moss. Upon your decision I signed the voucher. I called your special attention to it that you may immediately ascertain whether or not your name or approval appears upon the account or voucher, as my name was signed upon the express statement that you had approved the payment of accounts.

Similar vouchers have been executed and checks issued thereon as follows:— February, 1898, \$1,801.37; March, \$1,053.29; April, \$733.98; May, \$774.10, making a total of cash paid Mr. Moss for the first five months of 1898, \$7,421.66 for commission claimed on business written in 1897 under his contract, which was cancelled in January, 1898, and which commissions have been paid into the association since January 1, 1898.

Surely Mr. Moss ought not to be allowed this credit of \$7,421.66, inasmuch as all future credits accruing under said cancelled contract should revert to the association, because it is claimed that we assumed the agents' debit balances created under said cancelled contract, and which amounted January 1, 1898, to more than \$150,000, and this large sum has not been materially decreased, and probably never will be to any appreciable extent. Mr. Moss cannot legally or morally claim this double credit.

Confirming the foregoing construction I find, in hastily examining some of the statements of account of Mr. Moss, one made as of February 1, 1896, and endorsed thereon is a memorandum in the handwriting of Mr. Franklin Underhill, as follows:—

'All credits upon 1897 business revert to the association, and we assume the agents'

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accounts.' In view of Mr. Underhill's close relations with the management in financial matters, this memorandum was presumably made by your consent and authority.

With these new facts and additional information I hereby withdraw my approval from each and every voucher hereinbefore mentioned and set forth, because of the mistaken facts before me at the time of approving such vouchers.

The gravity of the situation demand that immediate action be taken in the premises to protect the officers and members of the Mutual Reserve.

I therefore officially call your attention to the foregoing statements, and ask your prompt action as president, in order that the association may be permanently strengthened by a further reduction of expenditures, and that its good name may not be tarnished by any contemplated repudiation of recorded promises.

Let us specially bend every effort to largely decrease mortuary expenses, so that death claims may be more promptly paid, frequent increases of rates avoided, fewer liabilities reported and provision made for a substantial surplus to make good present pledged promises for the future.

Let us do the needful to reduce home office rental account by surrendering a number of rooms and leasing same to outside parties, thereby securing a double income for the association. Let us dispense with unnecessary leases of officials in localities where we have little or no business. It is better to have no office than a vacant office. It will not decrease efficiency of work, but it will increase our paying power.

Let the contract of General Manager Moss be immediately cancelled, and I venture to suggest, in accordance with terms submitted in my letter of March 31st, this will be eminently fair to Mr. Moss and just to the association. We would thereby save an unwarranted general over-riding commissions. Much of the business allowed him has been secured by old and valued agents of the association who were never appointed by Mr. Moss, and he has never rendered them any special service, never visits their agencies and no reason whatever exists for him to personally profit by their labours. Such profits belong to the old agent and the association, in justice and equity, and it is and has been against the policy of the Mutual Reserve to allow general over-riding commissions.

Let the accounts of Mr. Moss be fully stated by an expert accountant, to the end that all his receipts and disbursements as general manager may be definitely and properly determined, and final and correct balance struck to the debit and credit of the general manager. Surely he cannot object to this plan, and surely it is the duty of yourself as president to have full and correct legal knowledge of so important an account. The carrying out of this suggestion will be right and equitable, and properly protect the interests of all parties concerned.

Let the accounts of agents receiving advances be carefully verified and regularly inspected for the purpose of preventing any considerable indebtedness and undue and useless advances. We should be warned by the unfortunate experience had with many agents appointed by the general manager, and who have left us after obtaining excessive advances which will remain as permanent indebtedness to our great loss. Producers should be protected. Consumers should be dismissed.

The rule in all other departments should also apply in the agency department, to wit: No money to any person at any time or place by way of advance, or for any other purpose, whatever, should be paid out of the treasury of the association, except upon a voucher signed by three officers, followed by a cheque signed by three officers. There has never been but one exception to the rule, and I insist that this exception immediately ceases.

The foregoing suggestions are respectfully submitted because the large amount of unpaid death claims and the decreasing revenue confronting us demand consideration and not criticism for presenting them. We must fairly and firmly dispose of these and other questions vital to the preservation and success of the association.

The suggestions are made without prejudice or passion, with honest purpose, and

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I am ready and willing at any time or place to discuss these and other questions for the well-being of the association with the president, board of directors, or members.

I ask you, Mr. President, to carefully and dispassionately consider this communication, and take such immediate action that the rights and interests of one and all of the members of this association may be properly protected.

Sincerely yours,

(Signed) J. W. VROOMAN,

Treasurer.

Q. Who is Mr. Vrooman?—A. He is a gentleman resident in New York, connected with the Provident Savings Life Assurance Society.

Q. Was he ever in the employ of the company?—A. He was.

Q. What position did he have?—A. He was one of the directors, and he was also the treasurer of the company.

Q. What is the man's record? Does he bear a good character or not?—A. So far as I know, yes.

Q. And at present, what do you say his position is?—A. He is connected with the Provident Savings Life Assurance Society, but his exact position there I do not know. I think he is a member of the board of directors, and holds some office there, but what it is exactly I do not know.

Q. Was he dismissed from the company?—A. No.

Q. He resigned, did he?—A. He did.

Q. When did Mr. Vrooman resign?—A. I do not know the date of his resignation. It was not a great while after that letter, I think.

Q. Would it be soon after that?—A. My impression is, yes, but I cannot give you anything more than that in regard to the date. It is not in my mind.

Q. About that time, was it?—A. That is my impression.

Q. You said, I think, that you are a director and the actuary of the Mutual Reserve Fund Life Association?—A. Yes.

Q. When were you appointed actuary?—A. I do not remember when I was first formally appointed actuary. My impression is, that it was in 1896; it may possibly have been in 1895.

Q. Do you know an insurance journal called the *Guardian*?—A. I do.

Q. Are you connected with it?—A. Yes.

Q. As publisher?—A. Yes.

Q. What system of life insurance would you specially support as editor of the *Guardian*?—A. It was established to support the assessment system of life insurance.

Q. How long have you been advocating the assessment system?—A. In either 1881 or 1882—I think it was in 1882—I began the advocacy.

Q. Were you a member of the National Convention of Mutual Underwriters?—A. I was.

Q. What were the objects of that society or convention?—A. The National Convention of Mutual Life Underwriters was an association of the assessment companies of the United States and Canada for the purpose of meeting in convention annually, discussing questions connected with assessment life insurance, aiding in securing proper legislation, and aiding in establishing business upon scientific bases.

Q. Are you a member of any actuarial society in the United States or elsewhere?—A. I am not.

Q. How many years were you secretary of the National Convention of Mutual Underwriters?—A. I should say probably six or seven. It may not have been as many as that, but from five to seven years probably.

Q. What other office, if any, did you hold in that?—A. I was at one time chairman of the executive committee, one year I was president.

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Q. Were you connected, officially or otherwise, with any other life insurance company prior to your connection with the Mutual Reserve?—A. Yes, I was connected with the National Life Maturity of Washington, D.C., and with the Valley Mutual Life of Stanton, Virginia, and I was treasurer for the purpose of closing up the estate of the Columbia Mutual Life of Washington, D.C., which had reinsured its risks. I was also a director and vice-president of the Ohio Valley Protective Association or Union.

Q. Had you anything to do with the Bay State?—A. In the last year of the Bay State's existence, I was employed as a consulting actuary, to tabulate their mortality experience, formulate rates and draw up forms of policies for them, and before the work was well under way, the association was placed in the hands of a receiver, and my work was discontinued.

Q. You spoke of the Valley Life Association of Virginia; you were president of it, were you?—A. I was president of it.

Q. How long were you connected with it?—A. My impression is, three years.

Q. Is it still in existence?—A. It is not.

Q. Did it fail?—A. It reinsured its risks.

Q. Now take the National Life Maturity Association of Washington; is that company in existence?—A. It is not.

Q. Did it fail?—A. It went into the hands of a receiver my impression is, about six years ago.

Q. Now, take the Ohio Valley Protective Union, in what capacity were you employed in that one?—A. I was a stockholder in it, and one of the board of directors and vice-president.

Q. Is that company in existence still?—A. No, the company reinsured its risks and closed up its business.

Q. You said you were connected with the Columbia Mutual Life of Washington, D.C.—in what capacity?—A. The Columbia Mutual Life had insured its risks.

Q. What was your connection with it?—A. I am explaining it.

Q. What office did you hold?—A. Permit me to explain and I will tell you. The Columbia Mutual Life Association had reinsured its risks. I, as a stockholder, was elected its treasurer, after the reinsurance for the purpose of closing its estate, and did so.

Q. It is not in existence now?—A. No.

Q. Were you connected with the Massachusetts National Life?—A. I was.

Q. How long were you with that?—A. In September, I think it was, 1895, I resigned from the Mutual Reserve Fund for the purpose of organizing that company. I went to Westfield and organized the company, and in January, 1896, was asked to return to the Mutual Reserve, my resignation never having been accepted up to that time, and did so. It would cover a period of three or four months.

Q. During that time you say you left the Mutual Reserve, was your salary going on?—A. I tendered my resignation to the Mutual Reserve, and it was not accepted, but I gave the Mutual Reserve two days a week, by an arrangement, and my salary was placed proportionately to what I had been receiving for full weeks.

Q. That is to say, you got two-sevenths, or two-sixths?—A. Two-sixths.

Q. Is that company that you organized, the Massachusetts National Life, in existence?—A. It is not.

Q. When you became actuary of the Mutual Reserve, did you make a careful study of the mortality experience of the association?—A. I have at various times made a study of the mortality experience.

Q. With reference to the fifteen-year members, were you of the opinion that they were paying their full share of the amount required to meet death losses?—A. When I became actuary?

Q. Yes. When did you discover that they were or were not?—A. In 1894, and the early part of 1895, I made an investigation.

Q. When did you first discover that the fifteen-year members were not paying their full share of the amount required for the payment of death losses?—A. In the latter part of 1894 and the early part of 1895.

Q. When did you recommend a reapportionment of the rates?—A. In the early part of 1895.

Q. Is it not true that that reapportionment of rates was made on the recommendation of the insurance department?—A. It was. The insurance department did recommend the reapportionment of rates.

Q. In the early part of 1895?—A. On an examination which covered the latter part of 1894 and the early part of 1895. I think a report was made in April, 1895—that is my impression.

Q. And at no time prior to that did you recommend reapportionment of rates?—A. Not in any formal way.

Q. But in your own mind?—A. Oh, yes. I had discussed the question with Mr. Harper before that at the time of my coming there, and told him that it was inevitable.

Q. And then as actuary you made the reapportionment in 1895?—A. As actuary I computed—or not as actuary. I was not then in 1895, I think, the actuary of the company. I was one of the officers of the company, and what computation was necessary was made under my direction.

Q. Who was the actuary?—A. I do not know that the company had a man that was official actuary at that time.

Q. Were you not the only actuary as a matter of fact?—A. I probably was discharging the duties of actuary at that time, but I do not think that I had at that time been appointed actuary of the company.

Q. But you were performing the duties; the only actuary they had?—A. I was doing the supervision of that work.

Q. Was the reapportionment made by you sufficient in your opinion to provide for the payment of death losses?—A. It was sufficient in my opinion to provide for the then current death rate of the association.

Q. In making the reapportionment in 1895, did you have before you a statement of the amount paid by members insured on the fifteen-year plan in 1888 and 1889?—A. My impression is that I did.

Q. You would naturally have it, would you not?—A. Yes.

Q. How much less, if any, had the members insured on the fifteen-year plan paid in 1888 and 1889 than members insured on the ten-year plan up to the date of the reapportionment of rates in 1895?—A. I do not understand your question.

Q. How much less, if any, had the members insured on the fifteen-year plan in 1888 and 1889 paid than members insured on the ten-year plan up to the date of the reapportionment of rates in 1895? What I mean is, is it not a fact that the members insured on the fifteen-year plan paid the same amount per thousand the same age as the men insured on the ten-year plan in 1890?—A. Do you mean had not the members insured in 1888 and 1889 on the fifteen-year plan paid the same rates at the age of entry as those insured on the ten-year plan had paid?

Q. Yes?—A. Yes, the rates were the same.

Q. According to the age it was the same rate?—A. Yes.

Q. Is the present mortality of the Mutual Reserve Fund greater or less than that indicated by the standard mortality tables?—A. In 1900 it was somewhat larger. In 1901-2-3 it has been somewhat above the table.

Q. Was it 106 per cent in 1902, or was it not?—A. I do not know. It was above the table.

Q. There is the table. Tell me what it was in 1902? The question is whether the mortality of the Mutual Reserve was greater or less than the amount indicated by the standard mortality tables?—A. This Wisconsin table places it at 104 and three one-hundredths per cent—the standard table.

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Q. At any rate it is not 106 as you say?—A. It is 104 and three one-hundredths per cent by this table.

Q. What is your opinion as to the rates charged by this company. Do you say the rates were too low?—A. If the rates were treated as rates to secure insurance at level payments they were absolutely inadequate. If they were treated as rates to secure insurance at premium increasing with age, theoretically they were sufficient; but, in practice, the question would come in of the effect of these increasing rates in driving out the risks, and thereby forcing a death rate greater than the table called for, and in that event these rates might be inadequate as applied to attained age.

By the Hon. Mr. McSweeney:

Q. That happened, did it not?—A. It did. The members going out with the increasing rates was undoubtedly the cause of the death rates going up. It was inevitable that in such a case the better risks would go out, leaving the risk that remained impaired as to quality, and thereby producing a heavier death rate, and that is what really happened.

By the Hon. Mr. Béique:

Q. In other words, you found in practice that the association had been operating under a wrong system?—A. They had been operating on inadequate rates. And even if the system theoretically might be correct, the rates have not been applied properly to carry the system out in a practical way.

By the Hon. Mr. Wood:

Q. These columns of figures show death losses; in one column we have 'Expectant death losses'; upon what basis is that?—A. That would be on the basis of the standard mortality tables there used, either the American or the actuaries'; it would be the amount of death losses to be expected in the year in accordance with those tables, which are the official tables of insurance.

Q. And the other column is the actual amount of death losses?—A. Yes.

Q. And they exceeded that?—A. Exceeded by some four per cent.

By Mr. Coster, Counsel:

Q. Was it your duty to prepare the rates?—A. It was my duty to prepare the rates after I became actuary, but in regard to the policies before that, that were in force before that, there was a table which was a part of the contract, and which had to be used in dealing with those policies. I had nothing to do with that policy or with those contracts performing them, excepting to deal with them after I became connected with the company.

Q. Did you prepare this manual in 1896?—A. I did.

Q. Look at page 13?—A. Yes.

Q. That was used by the agents?—A. This was used by the agents.

Q. What year is that?—A. 1898.

Q. On page 13, I think, you will find there appears the following statement: 'The reserve of a legal reserve company is the liability determinable against each policy of insurance which the company must be able to offset by invested assets under the penalty of bankruptcy and a receivership. As so much of the funds as equal this reserve are and must be held to provide for this liability, they are absolutely beyond the use of the company for the purposes of its ordinary business as if they did not exist'?—A. Yes, sir.

Q. That is correct?—A. That is correct.

Q. Would you explain what is meant by a lien on a policy?—A. A lien on a policy is the same as a lien on anything else—an obligation against the policy or the property or whatever it is.

Q. Do these policies in the Mutual Reserve have a cash value now?—A. The assessment policies?

Q. Yes?—A. No, they have no contract cash value.

Q. The company would not pay any cash for them—no cash surrender value?—A. They have no contract cash value. The company would exercise its best judgment in case of a policy being submitted to it for purchase as to whether it was the best interest of the company to pay something to get it off its books or not.

Q. For instance, if a man were dying I suppose you would be willing to give him something to avoid the policy, but you do not make a habit of giving anything?—A. No, the policies have no contract cash value.

Q. The company will not give anything for that?—A. No.

Q. Under what circumstances would they give anything for them?—A. If an individual policy was presented to the company and the circumstances surrounding it were such that the management of the company, in the exercise of its just discretion, regarded it in the interest of the masses of policy-holders to retire that policy by the payment they would do so.

Q. Give me an example of where you would pay money for a policy?—A. If an individual, whose health was seriously impaired and was liable to become a claim in all probability within a few years, wanted to dispose of his policy to the company, and it could be retired for a comparatively small payment, the company would consider it as the best interests of all.

Q. Then, if I understand you, it would only be when it was a policy which was apt to become a claim on the company?—A. No, I did not say it would only be that. You ask me to illustrate.

Q. Give me other cases?—A. I cannot hunt up supposititious cases. I gave you one. I could not meet those cases until they were presented to me.

Q. You cannot think of any other case?—A. I cannot meet conditions until they arise, and cannot say as a business matter whether I would advise a payment for a policy until the matter came before me. When it came up I would pass upon it.

Q. You say you cannot think of any other policy except one which is liable to—
A. I did not say that.

Q. Tell the committee some other policy for which you would pay surrender value—where it is a live man—young man?—A. I probably should not purchase such a policy.

Q. It would not have any cash surrender value would it?—A. No, sir.

Q. Explain how you would put a lien on one of those policies—one of those you would not buy; you must have some of those that are not liable to be a claim upon the company in a year or two?—A. I do not know that I should put a lien on it.

Q. Did you not put liens on policies?—A. There are liens on some of our policies.

Q. What did they amount, roughly speaking?—A. There are liens upon certain of our policies to the amount of about two million dollars, which are included in our assets.

Q. Explain to me how you can take a policy which has no cash surrender value and by putting a lien on it make it an asset?—A. You cannot take a policy that has no surrender value, and by putting a lien on it make it an asset. I do not know of any method by which you can do it.

Q. Do you consider liens as funds belonging to the company?—A. I consider liens that are included in our assets in exactly the same light as the liens that are given by any insurance company, and under the laws of the state of New York city they are specifically allowed as assets, and under the practice of every life insurance company that I know of they are allowed as assets to the extent of the off-set of the reserve liability that is charged on each individual policy.

Q. How much did you say these liens amounted to?—A. About two million dollars.

Q. And that two million dollars you call assets, do you?—A. I do.

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Q. Cash assets?—A. I call them assets.

Q. Tell me how much you would give for the policies upon which these liens are placed; how much cash you would give for them. Would you give two million for the whole outfit?—A. I would give two million to retire them all.

Q. Cash?—A. Cash, and the liens would be deducted from that two and a half million. I would pay the liens and about half a million dollars to retire all those policies.

Q. The policies that you have the liens on?—A. Yes.

Q. If you pay \$500,000 to retire them, then you say that as soon as you put a lien on these policies, which are worth five hundred thousand dollars, you increase their value by two million dollars?—A. Oh, no.

Q. How could you have two million dollars' worth of assets when you put liens on them?—A. Because those policies have a liability charged against the company, in the reserve, of over two million seven hundred and fifty thousand dollars, so that if those policies all cease to be in force and those liens cease to be assets, the liabilities of the company would be diminished two millions seven hundred and fifty thousand dollars' worth, while the assets would be diminished only about two million dollars. Mr. Chairman, may I make one statement to the committee. This matter relates to the general statement of this company. In 1902 the Insurance Department of New York, which is the supervising authority of this company, examined the condition of the Mutual Reserve Fund Life Association, which afterwards became the Mutual Reserve Life Assurance Company. It put its actuary with its actuarial force into the office of the Mutual Reserve and was there for three months. It valued every individual policy listing those policies one by one and by their proper designation and charged against them their proper reserve, but listed the liens that the company have in their possession and listed them lien by lien, the number of policy, by number of policy, and it paired every one of these with the reserve charged against that policy, that excess was thrown out afterwards on a report of the examiner of the company under oath. The department of New York allowed those assets and charged the company with the liabilities, and it has continued to value the policies and allow the assets from that time to this. It is a matter that concerns the general conduct of the company, and has nothing whatever to do with the business in the Dominion of Canada.

Hon. Mr. DOMVILLE.—That is for us to say.

WITNESS.—I am simply making my statement. That is all.

Hon. Mr. DOMVILLE.—You have no right to make such a statement to the committee.

The CHAIRMAN.—It is on record.

WITNESS.—I was not attempting in any way to say what the Senate should or should not do. I was simply making a statement of the facts in the case, and if you will allow me to add beyond that, whenever the Insurance Department of Canada decides what is the best legislation for the assessment policy-holders in Canada, the Mutual Reserve is prepared to assent thereto and conform to it. I do not want to be misunderstood as dictating terms as to what the Senate should do.

By the Hon. Mr. Béique:

Q. I should like to ask you what is the amount to the credit of the reserve fund?

—A. The reserve of the company is about four and a half million.

By the Hon. Mr. Cox:

Q. Those two million of liens on the policies are on the regular life plan policies?

—A. Regular life plan.

Q. None of it on the assessment plan?—A. None whatever.

By the Hon. Mr. Béique:

Q. Those four millions are in the portion of the regular business, in the business done since 1899?—A. In the United States under the legislation by which we were incorporated the department of New York makes no distinction whatever between the earlier business and the later business, but values it all according to the terms of the contract and the valuation charges us with this reserve on our entire business.

By the Hon. Mr. Cox:

Q. Are you continuing to do business on the assessment plan on the other side?—A. No, sir.

Q. Not doing it anywhere?—A. No. But under the New York law the policies written on the assessment plan are valued by the Insurance Department and the reserves charges against them.

Q. You are continuing those who want to continue, but not issuing any new policies on the assessment plan?—A. No.

By the Hon. Mr. Wood:

Q. The reserve fund amounts to four and a half millions?—A. Yes.

Q. Does the company hold that in cash assets?—A. In cash and these liens are a portion of the reserve.

Q. On the regular life system?—A. Yes.

By the Hon. Mr. Cox:

Q. That arose largely from converting assessment policies into whole life policies?—A. Yes, very largely.

By Mr. Coster, Counsel:

Q. You consider these liens are funds belonging to the company?—A. Yes.

Q. All you have to do to increase your assets is to put a little lien on a policy which has no cash value?—A. No.

Q. What do you mean? You increase your assets by two millions by putting liens on policies which have no cash value?—A. These policies have a cash value of \$2,500,000.

Q. You would pay that for them?—A. We would pay \$2,500,000 to retire those policies.

Q. Cash?—A. Cash, when the man had paid his obligation the note of a policyholder procured by a reserve on his policy is admitted as an asset in every country in the world, and it is an asset of the company.

Q. Where the policy has a value?—A. Every one of those policies has a value, and the value of each policy exceeds the amount of the lien on that policy, in every instance.

Q. Of this four and a half million reserve how much is made up of liens?—A. About two million dollars.

Q. Why could you not increase that to four millions and then you would have \$6,500,000?—A. It takes two to make a bargain.

Q. They never made any advances—never advanced a dollar?

Mr. AYLESWORTH.—That is a misstatement, but not under oath.

By Mr. Coster, Counsel:

Q. Did you ever make any advance to these people?—A. We made an advance to these people in the sense that they had not paid this portion of the premium.

By the Hon. Mr. Cox:

Q. And they changed to a level premium?—A. They changed to a level premium fixed by their original age of entry, and gave a note for the reserve that would have—
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accumulated to the time of the change, instead of paying it in cash. Had they paid in cash they could have turned right round and borrowed it back from us as a loan on the policy, and instead of doing so they simply gave us a note instead of paying the cash and borrowing it back.

By the Hon. Mr. Béique:

Q. It avoided a cross-entry?—A. Yes.

By Mr. Coster, Counsel:

Q. It is book-keeping?—A. No, not book-keeping in the slightest degree. Here is a man who insured ten years ago, at the age of forty, and he has paid under assessment policies simply the cost of carrying the risk as it has accrued. He has accumulated no reserve whatever. His rate to-day for a policy of whole-life insurance would be, say, \$30. It was at his original age \$24. The difference between those two premiums would have been accumulated if the policy had been issued at the age of forty at a \$24 premium, as the reserve liability of that policy was \$150; he wants to change now to the whole-life policy, with a level and fixed premium determined by the age at the time that he came in, original age forty, he being now of the age of fifty, that premium would not be sufficient to carry a \$1,000 insurance upon the life of a man fifty years of age. Unless we had the \$150 as a reserve, that would be charged. Now, we say to him, 'You can have the rate at age forty, which is \$24, but in order to have that rate at age forty, you must pay us \$150, which is the reserve, and he says, 'I have not the \$150,' and we say, 'If you had originally taken that policy at age forty and paid us \$24, we would loan on the security of that policy \$150; instead of your paying it in cash, we will loan you the \$150,' and we take his note for the \$150, and the company is charged with a liability of \$150, and we have his note bearing interest at 5 per cent to offset that liability and his agreement to pay as long as he is insured in the future \$24 a year for his insurance, which is the same as he would have paid if he had gone in at the age of forty.

By the Chairman:

Q. Supposing he drops out of the company and owes the company \$150?—A. Yes, and the company owes him \$150. Because there is a cash surrender value of \$150 on that policy. One cancels the other.

Q. If I owe you \$150 and you owe me \$150, we even up?—A. Yes. But to make our statement we have to put down that way and one offsets the other.

By Mr. Coster, Counsel:

Q. How would you collect this two million?—A. We do not collect it. We do not want it.

Q. You call it cash that you have?—A. I do not call it cash. I call it one of the invested assets of the company.

By the Hon. Mr. McSweeney:

Q. The law provides for that?—A. The law of the state of New York specifically sets forth that it is an asset of the company. It is the best asset the company can have.

By Mr. Coster, Counsel:

Q. You have promissory notes for the two million dollars?—A. Yes, in every instance we have a promissory note bearing interest at five per cent.

Q. Did you ever put a lien on any policy without the consent of the assured?—A. Upon a certain class of assessment policies under the by-laws of the company an assessment was levied for the purpose of correcting the inadequate payments in the early history of the company. In dealing with that class a notice was sent of these

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assessments which were large, and consent was given in that notice that the amount could either be paid in cash or allowed to stand as a lien against the insurance under the terms of the by-law, which is specifically set forth in the by-law.

Q. Your answer to my question was yes. That would be shorter?—A. No, you asked if we did it with the consent of the policy-holders?

Q. You could have answered it, yes or no?—A. I should have answered it no.

Q. You say no?—A. If I am to answer yes or no, I should say no.

Q. That you never put a lien on a policy without the consent of the policy-holder?—A. That depends entirely upon how you interpret the consent of the policy-holders. I have explained what is usually actually done. I said if I were compelled to answer yes or no, I should say no, but I do not think it is a question that can be answered yes or no without an explanation.

Q. How does a man consent in this case where you give this long explanation?—In what way do you get his consent?—A. In the first place he consents by entering into a contract which makes the by-laws of the association a part of his contract. In the second place he assents when the notice is given him that he must either pay the money or can allow it to stand by going on and paying his other assessments and allowing it to stand. I consider the two combined.

Q. Those are the only ways in which he consents?—A. I consider those two combined as a consent.

Q. Kindly answer my question and we will get along much quicker. Those are the only two ways in which you say he consents?—A. That is the way in which I interpret his consent.

Q. Those are the only ways?—A. Oh, there are other ways.

Q. How?—A. He may consent by writing in and saying he consents.

Q. But in cases where he does not do that?—A. I interpret the fact that the by-laws are a part of the contract and his allowing this matter to stand as assent, and that is the assent that I refer to when I say we have the assent of this man.

Q. In how many cases would you say you only do that?—A. I do not know how many there are.

Q. Would there be more than half of them?—A. Of what?

Q. Of the liens on the policy?—A. Do you mean of these two millions?

Q. Yes?—A. There is not a dollar of these two millions in that.

Q. How much lien is there in addition to the two million that you put on without the consent?—A. I have not put any on without their consent.

Q. What do you speak of where they consented by being bound by the by-laws?—A. My impression is—though I am only speaking in round numbers—that there is about two million to two and a half million

Q. Liens which are put on which are only assented to by reason of their being bound by the by-laws?—A. Yes, and receiving notice and continuing their regular payment.

Q. There is two and a half million and two million where they have given promissory notes?—A. Yes.

Q. These other lien policies—do you put that in as an asset, too?—A. No, sir.

Q. You do not call that two and a half million an asset?—A. We do not.

Q. Because you did not get a note?—A. Because there is no liability under those policies to charge that against.

Q. But it is only where you charge them to straight life that you put on this lien?—A. It is where we change them to straight life that we take this note and include in the assets to the extent of the reserve.

Q. And you say, then, that in no official report that these policies that you say are put on without the note being given—I do not want you to say without their consent, because you say they did consent—but in no official report do you put these in as assets?—A. The by-law liens, you mean?

Q. Yes?—A. No, in no report.

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Q. And you never increase your assets by reason of liens more than two millions?
 —A. To answer that question it is necessary for me to make a somewhat long explanation. I will have to ask the patience of the committee. In 1900 we reinsured the risks in part of the North-Western Life Assurance Company of Chicago. That company had attempted as an assessment company to change to the level premium plan by this lien method of accumulating the reserve. They transferred to us the signed liens which they had at the time of the insurance and we carried into our liabilities the reserve on those policies as of their face and their original date of issue, and to the extent that they were offset liens, notes given by policy-holders, we included them in our assets as an offset to the liability charged in the reserve. When the company was in 1902 examined by the New York Insurance Department for the purpose of re-incorporating, the question was taken up between the company and the department, and the department decided that what we reinsured was the net amount of the insurance as of the date when the contract went into effect. That is, if the policy was originally a thousand dollars with a lien of \$250 on it, we did not reinsure the thousand dollars, interpreting the written contract, but that we reinsured \$700 as of September 1, 1900, and from that date they computed our reserve liability, not on the thousand dollars but on \$700. With that decision of the department all the liens of the North-Western Life, which had formerly included in our assets and returned to the department as such, were dropped from our assets because there was no reserve to offset them or no liability to cover them, and so I could not testify that we had enough included in our report in liens excepting these two millions, because we did one year to several of the departments include these North-Western liens and charged ourselves with the reserve.

Q. What year was that?—A. It would probably be two years. It would be at the close of 1900, and then probably at the close of 1901, because we had to make our report to many of the departments at the close of 1901 before the New York department had completed its examination of the company in 1902, so that, so far as we have made reports to other departments before the New York department made its ruling and completed their examination, we would include those at the end of 1901, but since then it has not been done.

Q. Did the department make you take them out then?—A. By the ruling of the department they ceased to be assets; they ceased to represent anything. The insurance that we had taken over by the amount of those liens—that is, if we had taken over ten millions and there was two millions on it, the department treated it as eight millions reinsured, and as far as the department making us do it or not, it was the request of the company that it should be done, and on examination the New York department coincided with our view, that that was what should be done.

Q. You did not do it at their request? They coincided with you?—A. Yes.

Q. Which policy cost the most, the fifteen-year plan or the five-year plan the same age—thirty?—A. The rates on the five-year plan are the higher.

Q. How much?—A. I do not carry the rates in my head.

Q. What is the rate at age thirty in the five-year plan after the first year?—A. This book you show me gives the rate \$14.52, if paid annually in advance.

Q. That is after the first year?—A. Yes.

Q. What are the expenses of getting that?—A. I do not understand the question. There is a rate of \$20.10 the first year on that policy.

Q. What provision is made there for expenses?—A. Under that contract the entire first year's premium, excepting the death cost of carrying the insurance, belongs to the expenses.

Q. How much would that be?—A. It would depend upon the death rate of the company. At age thirty I should say it would be about \$8, the tabular cost.

By the Hon. Mr. McSweeney:

Q. And subsequent years it is \$14.52?—A. Yes.

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By Mr. Coster, Counsel:

Q. Take the fifteen-year plan, what is the rate for that?—A. I have not the rate for that.

Q. You say the five-year plan is higher than the fifteen—costs more?—A. Take a five-year table as a whole, it is higher than the fifteen.

Q. Does the company get more out of the five-year than the fifteen? You know what I mean?—A. No.

Q. You see the rates as they are shown in the books may be a little higher on the five-year, but after all does not the fifteen-year plan cost just about as much as the five?—A. No.

Q. How much does the company get out of it?—A. I never made a calculation.

Q. You do not know?—A. No.

Q. You are the actuary of the company—A. I do not carry all the tables and figures in my head, even if I am actuary.

Q. Do the fifteen-year policies provide for any benefit other than payment of death losses?—A. A portion of them provide that at the expiration of each five years if there is any share unused it shall be apportioned in the form of a bond or bond issue. The latter issue provides that at the expiration of fifteen years any portion of the reserve or surplus belonging to the policy equitably may be used and applied towards the payment of future dues and assessments, or may by a year's notice be withdrawn in cash. A portion of the fifteen-year policy also provides that in event of the policy having been in force five years the liability to pay death claim continues for six months after the failure to pay an assessment, and if it has been in force ten years the liability to pay a death claim continues for twelve months after the failure to pay an assessment.

Q. Did the policies on the fifteen-year plan provide for the payment of disability claims?—A. The earlier five-year policy?

Q. The earlier fifteen-year policy?—A. No, not the earlier fifteen year.

Q. Did any of the fifteen-year policies?—No, there is no disability provision in the fifteen-year policy.

Q. Only in the five?—A. Yes.

Q. None in the ten?—A. No.

Q. And that is the reason you say that there is a higher rate charged?—A. No, sir.

Q. Why do you charge a higher rate for the five-year? You say you do charge a higher rate?—A. Because the five-year premium was calculated within the limits allowed by assessment contracts to remain level throughout life.

Q. Why does a policy-holder insured on the five-year combination option plan pay less the first year than he does the second and subsequent years?—A. He does not.

By the Hon. Mr. McSweeney:

Q. He pays less the second than the first?—A. Yes, at the higher ages, from fifty-two up to sixty the payments are the same.

By Mr. Coster, Counsel:

Q. At age 60, does a man pay less the first year than he does the second and subsequent years?—A. On the general tables the payment is the same the first and second year at age of 60.

Q. But as a matter of fact, does he at age of 60 pay less the first year than he does the second and subsequent years?—A. It is possible that there is a table that was in use a short time in which the payment the first year at the age of 60 was less than the subsequent years. I am not certain that that is the case, but it is possible it is, that for two or three years the payment was less the first year than the second year.

Q. Why was that?—A. Because when the five-year plan was first adopted the method was continued in a modified form of the admission fee. For a number of

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years the company had charged as a first payment and admission fee of \$8 a thousand, and then the subsequent payments were regulated by age. When we first adopted the five-year plan we continued the first payment as \$8 a thousand and had five bi-monthly payments, and where as in the extreme ages of the table the bi-monthly payment was in excess of \$8, of course the first payment was a trifle less than the bi-monthly payment, and that would make the payment for these ages the first year a trifle less than the payment in subsequent years, but that table was not used any length of time. It was very soon discontinued.

Q. When did Mr. John E. Hollingsworth, the controller of the Mutual Reserve, resign his position?—A. I do not remember.

Q. How long was his salary continued after his resignation was accepted?—A. I do not know.

Q. You say you do not know?—A. I say I do not remember.

Q. I ask you if you know anything about it? Did you know that it was continued?—A. I did not know that it was continued.

Q. You do not remember for how long?—A. I do not remember for how long.

Q. Was it continued for a year?—A. I do not think it was. But I am not going to swear as to what time it was continued. I have no idea it was continued for a year.

Q. Were you not a member of the executive committee?—A. I do not think I was at the time Hollingsworth resigned, but I am not certain as to that. When Mr. Hollingsworth resigned I think it was in 1896. That is eight years ago, and I cannot remember the dates, and these little items in connection with those matters at this distance.

Q. Why was his salary continued after he resigned?—A. It is the custom of the Mutual Reserve, and I think of all other companies, when an officer retires from company to continue his salary for some time. We have I know in almost all cases.

Q. What is the usual time?—A. It depends somewhat on the length of time the officer has been with the company. I have known instances where we continued it a month, and I have known where we continued it two months.

Q. But do you remember ever continuing it more than two months?—A. I do not recall now any specific dates, but I am telling you the specific practice of the company.

Q. Will you swear it was never continued more than two months?—A. I am not swearing as to that. I am just giving the general practice of the company.

Q. You say you do not know whether it was ever continued more than two months?—A. I can give you nothing more definite than I have.

Q. How long was Hollingsworth in the employ of the company?—A. I could not fix that without being able to fix the date of his resignation.

Q. Well, about how long?—A. I should think, about a year and a half.

Q. On account of his year and a half services you continued his salary after he resigned?—A. I say that it was the custom of the company on the retirement of an officer—

Q. On account of a year and half's service you continued his salary after he resigned?—A. I say it was the custom on the retirement of an officer to continue his salary for a certain time.

Q. What was his salary?—A. That I do not remember. I do not think I was then a member of the executive committee at the time Hollingsworth was there. It was within a short time after I came with the company. During part of the time I was only with the company for one or two days a week, and many of those matters of administration at that time I would not be as intimate with—

Q. Do you know what President Burnham gets?—A. I do not know what he got.

Q. How much?—A. I respectfully decline to state.

Mr. COSTER.—I will ask the Chairman's ruling on that.

By the Chairman :

Q. Do you state the reason why ?—A. It is a rule of the office and the executive committee that those matters are confidential matters, and as such I do not feel at liberty to state it.

Q. Does that apply to all the officials of the company ?—A. Yes.

Q. Agents and everybody else ?—A. No, sir.

Q. All the officials ?—A. Yes.

By Mr. Coster, Counsel :

Q. You decline to say how much President Burnham gets. How much do you get ?—A. I respectfully decline to answer.

Q. Did John E. Hollingsworth get \$10,000 a year as controller ?—A. I do not know.

Q. Did you pay him \$5,000 salary when he left after a year and a half ?—A. I do not know what Mr. Hollingsworth was paid.

Q. Mr. John J. Acker was a director of the company, was he not ?—A. Yes.

Q. How much was he paid ? Was he paid for attending meetings of the board of directors ?—A. I do not know.

Q. Was he paid at all ?—A. As a director I presume that he received his director's fees for attending meetings.

Q. How much is that ?—A. Ten dollars a meeting.

Q. How many meetings did you have ?—A. Fifty-two.

Q. One a week ?—A. Yes.

Q. And the directors each got \$10 ?—A. No, the directors who are officers of the company do not get directors' fees.

Q. How many directors are there that do ?—A. They varied at different times.

Q. About how many ?—A. I think there are four directors now who are not employed by the company.

Q. How many directors are there altogether ?—A. Twelve.

Q. And you say eight of them are officers ?—A. Officers or employees of the company.

Q. I spoke to you some time ago with reference to taking over the business of the Provincial Provident Institution at St. Thomas, Ontario. Had you anything to do with the negotiations necessary in connection with that ?—A. I did.

Q. How long were you in Canada without returning to New York during the negotiations ?—A. I do not remember.

Q. Were you there a year ?—A. I was back and forth a number of times in connection with it.

Q. How long did it take you to conclude the negotiations ?—A. I do not know.

Q. Were you one of the auditors of the Mutual Reserve Fund Life Association when the Provincial Provident was taken over ?—A. No, sir.

Q. Were never one of the auditors of the Mutual Reserve ?—A. My title when first I went to the Mutual Reserve was auditor.

Q. But you were not auditor when you took over the Provincial Provident ?—A. No, I had not the title of auditor in 1896.

Q. Did you sign an audit every sixty days of the mortuary call audit ?—A. I think for a number of years as actuary I supervised the death claim payment—that is the final returns of them—and signed the audit with the treasurer of the company; whether it was done in 1896 or not I do not know. I do not remember when that practice began.

Q. Were you ever paid anything in addition to your regular salary for making the audits of the Mutual Reserve ?—A. No.

Q. You never were ?—A. No.

Q. It is not a fact that you were paid \$250 for making any audit of the company ?—No, sir, I never received any compensation except my salary from the Mutual Reserve.

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Q. You testified as a witness before Magistrate Crane in the suit brought by the Mutual Reserve Life Association against Patterson?—A. I testified on that occasion.

Q. Did you testify that \$111,000 had been paid on commissions under the Harper contract?—A. I do not remember.

Q. Part of which was paid to the widow of the late E. B. Harper, part to the contingent fund, and part to the heirs of the late E. B. Harper; and also that part of it was paid to Frederick A. Burnham, president of the Mutual Reserve Association?—A. I do not recall what my testimony was on that occasion.

Q. Was that done?—A. I do not know whether those are the figures paid or not.

Q. And yet it is your duty to know?—A. It is not my duty to remember all the facts that passed through my department.

Q. I suppose that would be too trifling an amount for you to remember, \$11,000. If you did swear to that would it be true?—A. It would be true if I swore to it.

Q. As I have before shown, you testified in that examination that \$8,000 of the contingency fund was drawn to the order of Mr. Butts, paymaster of the association. Why was that drawn to his order?—A. I do not recall the circumstances of it at this time.

Q. You do not remember then, is that what you say?—A. I do not recall the circumstances of the drawing of the amount at this time.

Q. You do not know whether it was drawn to his favour. You would have to authorize it?—A. Not necessarily.

Q. What were your duties in the executive committee?—A. I had a great many duties.

Q. Anything to do with the payment of money?—A. I had.

Q. You had to sign?—A. Not always, no, sir.

Q. You say you do not remember of any sum being paid to Butts out of the contingent fund?—A. I did not testify so. I said I did not recall the circumstances attending the drawing of such a warrant.

Q. You tell me you do not know why that \$8,000 was paid to Butts, if it was paid?—A. I do not recollect how, and could not state now why it was. If I knew at the time I knew the reasons, but I could not recall it now.

Q. And also the facts that you testified that the payment of three thousand two hundred and fifty dollars was drawn to the order of Moton B. Moss?—A. I know in a general way that a voucher of some amount was drawn in the purchase of the rights and interests of the brothers and sisters of Mr. Harper, in one-third of his contract, and that a sum resembling that in amount was so drawn for payment.

Q. Moton B. Moss?—A. Yes.

Q. What was that for?—A. It was to be paid, as I remember, to Walter Scott Harper for the discharge of his interest in the commission, he being one of the brothers of E. B. Harper and one of the heirs.

Q. A suit was brought against the company by the Harper heirs?—A. I have testified there were some proceedings at law.

Q. How much did you pay to settle that suit?—A. I do not know.

Q. And yet you are a member of the executive committee and do not know?—A. I do not attend personally to transactions of that company. That company has an income of several million a year and several million outgo.

Q. But this matter has been spoken of to you several times?—A. No, sir, it has not.

Q. Were you not examined about it in this very case?—A. I have testified that I was examined in this case, but that was several years, and I have not the details of it in my mind, and could not pretend to carry details.

Q. You do not remember anything about the case against Patterson?—A. I do remember something about that case.

Q. You laid the information did you not?—A. I did.

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Q. How did you stop it? How did you get over it afterwards? What did you do? How did you settle it?—A. I do not know the terms of the settlement.

Q. You do not know how much money you paid to withdraw the information that you laid in the criminal suit?—A. I do not know the terms of the settlement of that case.

Q. How about the settlement of the civil suit that you brought against Mr. Patterson? Do you know the terms of the settlement of that one?—A. I do not know.

Q. You do not know anything about it?—A. No.

Q. Do you know anything about your own suit that you brought for fifty thousand dollars?

The CHAIRMAN.—Have these suits anything to do with the matters before us?

Mr. COSTER.—Yes.

A. This is a personal suit he is questioning me in regard to.

Q. It had nothing to do with the company?—A. It arose probably because I was an officer of the company, but it was a civil suit of libel of myself against Patterson.

Q. What became of the suit?—A. Well, it was a personal suit for civil libel against Patterson, and as a personal matter I decline to answer.

The Committee adjourned until Tuesday evening at 8 o'clock.

PART 3.

OTTAWA, TUESDAY, June 21, 1904.

The Committee met at 8 p.m.

GEORGE D. ELDRIDGE recalled and examination in chief continued:—

Mr. ELDRIDGE.—Before the evidence proceeds I should like to make one correction of my evidence last given. I was asked in reference to acting as auditor, and payment for the services. It was a matter that occurred eight years ago, and I testified as fully as I could by remembrance at the time. I have since refreshed my memory. I find, in 1896, the executive committee of the association designated me to audit the death claims of the association paid, which involved the proofs of death and everything paid during the sixty days, and at the same time added to my salary the sum of fifteen thousand dollars a year. For sixteen months, that additional salary was paid in sums of \$250, paid each two months. Subsequent to that it was added to my salary as a weekly amount; and that I wish to be taken as testimony correcting the statement that was made at the last sitting.

By Mr. Coster, K.C., Counsel for the Committee:

Q. What was your salary in addition to that?—A. I decline to answer.

Q. Look at that—is that the constitution and by-laws?—A. That is the constitution and by-laws of the Mutual Reserve Fund Life Association, as amended at the annual meeting of the members, in 1901.

Q. Is that the by-laws in force to-day?—A. No. That is exactly what Mr. Cloran telegraphed me for.

Q. What is that?—A. The by-laws adopted at the meeting of January 3, 1901.

Q. Those are not the by-laws in force to-day: have you a copy of the by-laws in force to-day?—A. I have at my room, and will be glad to furnish them to-morrow.

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Q. You say you decline to answer what any of the officers received in salary ?—

A. Yes.

Q. Are not the members of the committee entitled to receive that information ?—

A. I am instructed by counsel that it is confidential information which I am not at liberty to divulge, as far as each individual is concerned.

Q. Do you decline to give that information to the policy-holders of the company ?

—A. I decline to give a statement of the individual salaries received by the officers of the company, under advice of counsel.

Q. How many employees of the company have been dismissed, or was it alleged have been dismissed, since you have been in the employ of the company ?—A. It is impossible for me to tell.

Q. Perhaps you can tell me some of them. Perhaps you can tell me a few ?—

A. There are constant changes in the offices and employees of the company, especially in the employees.

Q. All the Committee know that, but that is not an answer to my question. You know what I mean ; I want you to answer the question ?—A. What is the question ?

Q. The question is to give me the names of some of the employees who have been dismissed, vice-presidents, secretaries, or anything of that sort. I do not care to know whether you dismissed a typewriter, a messenger boy or anything of that kind ?—A. J. D. Wells, second vice-president of the company, was not re-elected at the meeting of 1899.

Q. Any one else ?—A. Mr. J. M. Stevenson was not re-elected at the meeting of 1899.

Q. Have you ever said that they were dismissed ?—A. I have stated that they were dropped from the employment of the company.

Q. Have you ever stated that they were dismissed ?—A. I do not know that I have ever used that word or not.

Q. Will you say whether you did or not ?—A. I will not say whether I did or not.

Q. Will you say whether you put it in the printed statement that you furnished to the Senate ?—A. I cannot recall whether I used that word or not. I consider when they were not re-elected they were dismissed, but as for the use of the word, I do not know whether I used it or not.

Q. Is there anybody else that you think of ?—A. I do not think of any one else at present.

Q. Have the company commenced suits against either of these gentlemen since they left the employ ?—A. Not to my knowledge.

Q. You do not remember giving evidence in a suit ?—A. You asked me if the company began suit against any of them. I cannot recall a suit that was begun by the company, against either of those gentlemen.

Q. Yes ?—A. Not that I recall.

Q. Did you ever lay an information against either of them on behalf of the company ?—A. I do not recall ever having laid an information against either Mr. Wells or Mr. Stevenson on behalf of the company.

Q. Do you remember ever laying criminal information against either of them for libellous statements, or alleged libellous statements, against the company ?—A. Mr. Wells or Mr. Stevenson ?

Q. Either one of them ?—A. I do not recall that I did.

Q. Do you remember bringing one against Mr. Pattison ?—A. I do.

Q. What is Mr. Pattison's name ?—A. I believe his first name is James.

Q. James T. Pattison ?—A. That is the name.

Q. What did you do ?—A. There was a criminal libel against him.

Q. You laid the information ?—A. I swore to certain affidavits in the case. I cannot recall whether I laid the information or not, now.

Q. What became of it ?—A. The suit was finally discontinued.

- Q. Was any money paid to Mr. Pattison to discontinue it?—A. I do not know.
- Q. Will you swear that no money was paid to him?—A. I say I do not know.
- Q. Will you swear that you do not know?—A. I do not know; that is the only answer I can give.
- Q. Will you say that no money was taken in?—A. I will not say yes or no to it.
- Q. Did you ever hear that money was paid to him?—A. No.
- Q. You never heard?—A. No.
- Q. Did you bring a civil suit against Mr. Pattison yourself for slander or libel?—
- A. That is a personal matter entirely, not a matter connected with the company. I decline to answer with regard to personal matters not connected with the administration.

By the Chairman :

Q. That is a matter of fact whether you brought an action or not. If it is personal you have a right to allege privilege, but not to refuse to answer when it is a question of fact. It may not have any bearing on this investigation?—A. I did bring a civil suit against him for libel.

By Mr. Coster, K.C., Counsel for Committee:

Q. And it was for a statement in reference to this company?—A. It was for statements about myself.

Q. In reference to this company?—A. I do not recall exactly what the trouble was about those statements. I know they were broad and general.

Q. But it was in reference to this company?—A. That I am not prepared to swear.

Q. You do not remember?—A. I do not remember whether they covered matters connected with this company or other matters.

Q. When was the suit brought?—A. I cannot testify without refreshing my memory.

Q. Did you pay any money to get rid of it?—A. I did not.

Q. Did anybody for you or on your behalf, pay money?—A. Not that I know of.

Q. Do you know of any other money being paid to the company, after they commenced suits, for the privilege of discontinuing them, or anything else?—A. I do not.

Q. Do you know of them paying money to the people whom they had sued?—A. No.

Mr. COSTER.—I submit those questions should be answered, particularly as to the salaries paid, because if they absorbed all the mortuary funds of the company, I think it is of sufficient importance to be made known.

Q. Did you, in the year 1898, prepare a statement with reference to the expenses of management?—A. In 1898—I think it was in 1898—I did prepare a document in reference to that setting forth some advice with regard to expenses, and with regard to the future conduct of the business, I think.

Q. In which you stated that the expenses of management might be reduced \$500,000 annually?—A. I stated that under certain conditions, and with certain regard to new business, I thought ultimately the expenses of the company could be reduced.

Q. Have you a copy of that recommendation?—A. I have not it with me.

Q. That was submitted to the company, was it not?—A. It was submitted to the Board of Directors.

Q. In that did you not state that, in your opinion, the business would not suffer by a reduction of that amount?—A. No.

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Q. In making the recommendation did you not give it as your opinion that the business of the company would not suffer by the reduction of expenses by the amount of \$500,000 annually?—A. I recommended that by a reduction of moneys expended on new business, certain reductions could be made in the matter of expenses. The details of the recommendation at the present time I have not in my mind.

Mr. COSTER.—We will submit the report and it will speak for itself. Mr Eldridge's memory is not very good.

WITNESS.—I am asked to testify without refreshing my memory on matters which occurred six or eight years ago. I do not propose to swear positively in regard to the details of those things without the opportunity of refreshing my memory. I am perfectly willing to give to this Committee information, but I am not willing after six or eight years to testify to mere details without having refreshed my memory or looked at the documents in question.

Q. You had a notice to produce, had you not?—A. To produce that report.

Q. To produce certain documents and statements?—A. I had a notice to produce a number of documents.

Q. Have you produced any of them? I should like you to state now which one of those you produced?—A. Those that can be produced, I am having prepared by the clerks in the office at New York and am perfectly willing to produce them.

Q. Have you any ready now?—A. I have not, here.

Q. None at all?—A. No.

Q. You are preparing letters and wills and different things and vouchers?—A. The vouchers I am not preparing.

Q. I say you have not any of them here. There were forty-eight different documents and statements you were asked to produce as admitted by your counsel?—A. I am prepared to take up any of them and give—

Q. Have you any of them here?—A. If there are any of them asked to be produced, I can either produce them, or give my explanation why they are not produced.

Q. I want the documents produced?—A. They cannot all be produced. If the counsel desires any one of those items, I am prepared to produce it, or state why it cannot be produced at this time.

Q. Take the lease of the building which you occupy in New York, for one; have you got that?—A. I have not.

Q. Why not?—A. Because it is one of the assets or evidence of investment of the company which I am instructed by counsel I have no right to remove from the jurisdiction of the courts of New York; that if I did so, I would incur the penalty of being removed from office for violation of trust.

Q. For producing the lease of the building—that is what you are advised?—A. It is evidence of an investment, and I am instructed that I have no authority whatever to remove it from the jurisdiction of the courts of New York.

The CHAIRMAN.—I understand you could not remove the original document, but a certified copy could be easily produced.

WITNESS.—The subpoena is to produce the original.

Q. It is not a subpoena but a notice to produce and the word 'original' is not in the notice. If you produce a certified copy it will be received. Is there any covenant in that lease to pay for improvements?—A. To pay for improvements.

Q. When does the term expire?—A. The term expires in 1934—that is my recollection. It is a forty-year lease, and we occupied the building in 1894, and I think it runs from the 1st of May, 1894, for forty years.

Q. What is the rental?—A. The rental to the Weld estate is \$60,000 a year. I have at my rooms the certification of the value of the property made by the Insurance

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Department of New York in 1902 when it made its examination, and I shall be very glad to produce a certified copy of that document under the seal of the State of New York.

Q. But you will not produce a copy of the lease?—A. This covers the essential features of it when the department valued the property, and if it will expedite matters, I shall be very glad to produce a copy.

By the Hon. Mr. McMullen:

Q. Have you not a registration system in New York?—A. We have.

Q. Is not your lease registered?—A. No. It is not a document which under the law of the State of New York is required to be registered.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Since you have been in that building, how much have you spent on repairs or improvements?—A. I cannot tell that off-hand.

Q. Speaking roughly. You have put it in every statement you have sworn to?—A. I have.

Q. But you forget what you swore to?—A. Mr. Chairman, I am endeavouring to testify before this Committee as fully and freely as it is possible for me to do, but in a matter of mere details that covers years and years, and in transactions amounting to millions of dollars a year, that have covered during that time an income of sixty million dollars, I am not able to testify to small details without having an opportunity to refresh my memory.

Q. Will you say that you do not remember within \$100,000 of what you have alleged in your sworn statements you spent on that building?—A. I say the question is simply ridiculous.

Q. Will you say that you do not remember?—A. No, I will not. We hold a leasehold, and the building is leased for forty years on leased property, and it is admitted by the State of New York, and valued by the State of New York, and has been valued five times since we held it as an asset of our company, and the law of Canada requires us to return to the Insurance Department of Canada, as records of our general assets, our assets as required by the law of our State, and our State has valued that and admitted it as an asset, and in 1902 value it for \$526,000, and I have a certified copy of valuation here, and will present it to the Committee, but it has been on file with the Insurance Department of Canada for a year or more.

Q. Do you say it is real estate?—A. I say that it is leasehold and is admitted by the Insurance Department of New York as real estate.

Q. How could it be admitted as real estate, if it is not real estate?—A. I do not know. I am not the Insurance Department of the State of New York. I simply state what the counsel of the Insurance Department says.

By the Hon. Mr. McMullen:

Q. Does it state that it is \$526,000 of real estate subject to an annual rental of \$60,000 a year?—A. Yes.

Q. What is the size of the building?—A. The building, as I recollect it, has a frontage of about seventy feet on Broadway and 130 or 140 feet on Douane Street, a fourteen-story building, and the annual rental of the offices is about \$147,000 a year.

By the Hon. Mr. McSweeney:

Q. The offices rent for \$147,000 a year, and you pay to the estate \$60,000 a year?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. How much did you spend on the building, about?—A. About \$483,000.

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Q. You spent that much on the building yourself after you leased it?—A. The building cost, as I recollect, about one million dollars. The Weld estate put in the balance, except about \$483,000 that we spent on it, and the land also.

Q. The land belongs to the Weld estate?—A. Yes.

Q. And you have a forty years' lease?—A. Yes.

Q. Is there not in that lease an arrangement whereby the matter can be readjusted every twenty years?—A. There is a readjustment at the end of twenty years, in the lease.

Q. That practically makes it a lease for twenty years, does it not?—A. I should not so interpret it.

Mr. COSTER.—I would ask Mr. Eldridge to furnish a certified copy of the lease.

The CHAIRMAN.—A copy of the lease should be here.

Q. What rent do you charge the company for your offices there?—A. \$50,000 a year.

Q. And what other tenants have they there?—A. I do not remember.

Q. You say if you had an opportunity of refreshing your memory, you could say. Here we ask in our notice to produce for a full statement of the rents. You could bring that out of the State of New York, surely that would not be against the law?—A. I cannot recollect who the tenants of a fourteen-story building are.

Q. You were asked to bring a statement here?—A. I was asked to bring a statement of every tenant that had occupied that building for ten years, with the amount that he had paid for the rental during that period. It is not a document that can be got up at twenty-four hours' notice with the regular process of business of the company, and I must submit to the Committee also it seems to me it is putting the company to a useless expenditure to bring you here a statement of the tenants in a fourteen-story building for a period of ten years and show the rental they paid for ten years. It would require the work of a clerk for a considerable time to do it. While I am willing to bring the information, as far as I can, it does not seem to me just that we should be required to put our clerks to work to prepare a statement of that character, especially when we present to you a certified copy of the valuation of that building, as made by independent appraisers of the Insurance Department of New York, which is the supervisor of our company in regard to such matters.

Q. The motive is to produce a statement of the rents, and that would not be difficult—'The gross income in detail each year, names of tenants from date of occupation of offices of the building 309 Broadway and Douane Street.' The greater part of the building is occupied by the company itself?—A. The greater part of the building is not occupied by the company itself.

Q. The principal part of the building?—A. The principal part of the building is not occupied by the company.

Q. If \$50,000 a year is charged to the company itself for the offices they occupy, as far as the tenants are concerned, it would not be a difficult matter to furnish a statement?—A. I should be very glad to give you the amount collected from outside tenants and from the company each and every year.

Q. What does it amount to?—A. It has varied in different years. Last year, speaking in round numbers, the rental collected from outside tenants, other than the company, amounted to about \$92,000 or \$93,000.

Q. Ninety-two thousand dollars actually collected?—A. Yes, actually collected.

Q. The year before, how much did it amount to?—A. It was slightly less.

Q. How much less?—A. Two or three thousand dollars—I should say—in round numbers.

Q. The year before that?—A. It was slightly less. It has been increasing for three or four years.

Q. What was the smallest you got?—A. I think the smallest we got outside of the company was eighty thousand dollars a year.

Q. Eighty thousand dollars was the smallest you actually collected?—A. Yes.

Q. Eighty thousand dollars from outside tenants?—A. Yes.

By the Hon. Mr. Landry:

Q. This last year was the highest you had?—A. Yes, ninety-two thousand dollars.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You say you spent out of the company's funds, \$483,000?—A. The building cost, our portion of it, about \$483,000.

Q. What fund did you take that out of?—A. It was taken out of the reserve, or surplus reserve fund.

Q. The surplus reserve fund?—A. Yes.

Q. None of it out of the mortuary fund—do you say that?—A. The reserve fund of the company is the excess of the mortuary assessments, after paying the death losses, and it was from that fund, as I understand it.

Q. Well, it was taken out of the mortuary fund?—A. It was taken out of the reserve fund, which is the proceeds of the mortuary assessments after paying the mortuary losses in connection with them. I desire to say this entire expenditure was made before I became an officer, or was in any way connected with the company. I found it there.

Q. You are not on trial?—A. I am not expecting to be on trial, but I am stating it from facts which came to my knowledge as an officer of the company coming into position afterwards.

Hon. Mr. LANDRY.—Which means that it is only by hearsay?

Mr. COSTER.—He knows well enough. He has sworn to it every year.

Hon. Mr. WATSON.—I do not understand that this witness is a criminal. He is here to give information, and I protest against our counsel saying he knows well enough.

Q. In the payment of death losses, is it your habit to deduct the liens on policies?—A. If there are liens against the policy, the cancellation of the lien is part of the payment of the death loss.

Q. You remember an action for criminal libel that was brought against Mr. Franklin, editor of a paper called *The Interview*?—A. I remember such a criminal libel.

Q. Do you remember admitting in that case, or did you make any admission in that case, with reference to settling the claim of the late Dr. Bissell?—A. I do not recall making any admission with regard to the settlement of that claim.

Q. Did you hear of that claim?—A. I have heard of the claim.

Q. Do you remember deducting the lien?—A. I remember the lien was deducted in the first payment of that claim.

Q. Do you remember he brought a suit against the company, and you paid the whole of it to him?—A. I remember there was a suit brought against the company, and that there arose a question as to the validity of the lien, in the fact that the death occurred before the adoption of the amendment to the by-law, and formal issuing of the lien, and under advice of counsel, the case was settled.

Q. That was after suit was brought against the company?—A. That was after suit was brought by his widow against the company.

Q. Let us return one moment to the building. You said there was spent on the building \$483,000. Do you remember how much you paid for furniture in addition to the \$483,000?—A. No, I do not remember. The building was furnished when I came there. I do not know.

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Q. They do not carry the furniture along at all?—A. The furniture is not in the assets returned to the Government.

Q. Do you know the expense of the building per annum?—A. I know, last year, after paying the expenses of rental, &c., the net income of the building was between twenty-two and twenty-three thousand dollars.

Q. That is, the company is charged a rental of \$50,400 a year?—A. Yes, that is charging the company with a rental of \$50,000.

Q. And the net rental, you say, is between twenty-two and twenty-three thousand dollars?—A. Yes.

Q. Is it or is it not a fact, that under the constitution and by-laws of the company, when the payment of a premium is stopped, when a man does not pay his premium in thirty days, there is no claim against the company at all?—A. It is not a fact that under the by-laws that is the case.

Q. What is the by-law?—A. The by-law is, that in the event of non-payment, the liability ceases, except as the contract may provide.

Q. In some cases, they have a surrender value?—A. There are some contracts that have a surrender value.

Q. Even when a man has not paid his premium?—A. Even when a man has not paid his premium.

Q. Some contracts?—A. Yes, some contracts.

Q. You have not a form of that, have you?—A. I have not, but I can easily get it. I think every policy we issue in Canada, the form of it is deposited with the Insurance Department at Ottawa.

Q. And in those cases, the policies have a surrender value, even if a man does not pay his premium?—A. In some cases, the policies have a surrender value, even when the premium is not paid.

Q. And how long after he has ceased to pay premiums can he collect that?—A. The generality of those policies provide that if, during the days of grace, he asks the cash surrender value, he can receive it. If he does not, during the days of grace, then the insurance is continued under the extended insurance provision, until the surrender value is used up in giving it to him.

Q. Have the company paid the surrender values without suit being brought against them?—A. They have, when there was occasion for them.

Q. Have not a number of suits been brought against them?—A. For surrender values?

Q. Yes?—A. I never heard of them.

Q. Did you ever hear of a suit brought by George A. Bagley?—A. I have heard of a suit by George A. Bagley.

Q. Did the company pay him?—A. That was not a suit for surrender value at all.

Q. What was it for?—A. It was a suit for the recovery of premiums paid on account of alleged violation of contract.

Q. Did you pay him?—A. There was an adjustment and settlement made with him.

Q. The Honourable Judge Dennis O'Brien?—A. Yes, he sued, too.

Q. Did you pay him?—A. A settlement was made with him. These are all New York parties.

Q. Martin E. Oldrich?—A. I do not remember the name.

Q. Augustus Goodale?—A. I do not remember the name.

Q. But anyway you remember some where you paid after suit had been brought for the recovery of the premiums?—A. I remember in some cases where suit was brought for the recovery of the premiums and the cases were settled.

Q. Do you remember Joseph P. Vaughan, of Louisville, Ky.?—A. I do not remember the name.

Q. He had a policy for \$10,000?—A. I do not remember the name.

Q. Do you remember any suit being brought in Louisville, Ky.?—A. Oh, there have been suits brought in Louisville, Ky.

Q. In the year 1900?—A. I do not remember that. With the reapportionment of the premiums and changes required to be made, we have had suits in various parts of the country for violation of contract, and for the recovery of premiums. We have had some in Canada, and a number in the United States. There is no denial of it, and no attempt to deny it.

Q. Article 7, section 5 provides:—‘A failure to pay the assessment within thirty days from the first week-day of February, April, June, August, October and December, or within thirty days from the day of the date of such periods, as may be named by the directors, shall forfeit his membership in this association with all rights thereunder, and the certificate of membership shall be null and void,’ and also, I see the same thing is in the one which you produced this evening—that is correct, is it not?—A. That is one of the provisions of the by-laws, I think.

Q. Then how did you pay on policies in which the premiums had not been paid?—A. There are other provisions in the by-laws, besides the one that has been named.

Q. Would you explain shortly to the committee how it is you paid on these lapse policies, and what was your reason for paying?—A. Because we regarded it within the discretion given to the management of the company as for the best interests of the company to make such payments.

Q. And that is the only reason you can give, that it was a discretionary matter with the directors?—A. The directors are charged with administering the affairs of the company for the best interests of the policy-holders, and with their reasonable limits of discretion they have the right to make such payments and to transact business.

Q. By the official reports through the Insurance Department of the State of New York for the years ending December, 1898, 1899, 1900, and 1901, which are of course really in evidence because they take judicial notice of them in their reports, I see that you have paid \$219,258 on 122 lapse policies: why was that paid? That is in the report?—A. I should like to see that in the report where we paid so many lapsed policies.

Q. Here is one of these annual reports of the State of New York, for the year 1898. Look down on the list there and you will find lapsed policies mentioned there, and the amounts paid on them?—A. Those are claims on policies appearing on our books as lapsed. Suit has been entered by the claimant after the death of the party and these amounts have been paid at different times in retirement of the claim.

Q. That is a sworn statement by the company?—A. That is a sworn statement by the company and those amounts were paid undoubtedly.

Q. And they are entered there as lapsed policies?—A. This is a schedule required to be filed under the law of New York, and the requirements of the Insurance Department, to show why any claim whatever made by a claimant, against the company and settled for less than the face of the claim was so settled, giving the reasons of the company for disputing the claim and not paying it at its face. In the cases named, the company claimed that the policies were lapsed. They stood so on our books. The claimants claimed that they had a claim for the full face of the policy, and entered suit therefor. This alleges the company’s reason for refusing to pay the full face of the claim, and in these cases that reason is that the policy stood on the books of the company as lapsed. This embraces a number of other causes.

By the Hon. Mr. Béique:

Q. What is the number?—A. I have not figured it up.

By the Hon. Mr. Watson:

Q. Are those claims paid in full?—A. No, they are not paid in full. It is an adjustment of the claim, for the policy was paid. Very frequently we make a pay-
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ment of the amount it would cost us to defend the claim. If we can settle such a claim for a sum not greater or less than the amount it would cost us to defend, we make the payment to the claimant to end the contest.

By the Hon. Mr. McSweeney:

Q. In other words you made the best settlement you could?—A. We made the best settlement we could in the case of claims that we did not consider valid.

By the Hon. Mr. Landry:

Q. Does that answer apply to all?—A. Yes, it was a settlement made of claims, the validity of which we disputed.

The first one here is 'Dan Doy. It is fourteen thousand dollars, \$10,366.67 paid, lapsed'. The next one is '\$1,000, D. Newkirk, \$350, lapsed'. The amount altogether, according to the annual statements in 1898, 1899, 1900 and 1901—according to the four statements which we will have marked for identification. These are certified documents.

WITNESS.—May I be permitted to state here, there are 102 claims in those four years. The entire claims against the company in that time, amounted to probably over five thousand. Our claims are about twelve to thirteen hundred claims a year.

By the Chairman:

Q. Do you mean claims taken by action at law?—A. No, our death claims amount to twelve to thirteen hundred a year.

Q. Out of that twelve or thirteen hundred there would be how many?—A. These lapsed claims were among the twelve hundred a year.

Q. Before that did you pay any lapsed policies?—A. The company had always where there had been claims on lapsed policies, the company had always settled them to the best advantage, either fought them through the courts or settled them.

By the Hon. Mr. Béique:

Q. What were the reasons urged by the claimants against this claim that the policy was lapsed?—A. There were various claims. There was, for instance, a recent case that arose in the State of Missouri. A suit was entered against the company on the claim that under the Missouri law there was fixed by that law a reserve on every policy, and that under that reserve the policy would be carried for a certain length of time after it lapsed, and that the law which was called the non-forfeiture applied to these policies, and the first court—that is the United States district court—did decide that was the case, and it went to the Supreme Court, which reversed the decision. There were also claims that because there was a reserve fund and emergency fund the policy-holder was entitled to have his assessment paid out of that if he did not pay it himself. There would be a large variety of claims.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Show me some lapsed ones in that statement of 1896?—A. Well, Mr. Coster, in regard to this matter I desire to say that while the New York Department required a list of claims not paid in full up to and including 1895 or 1896, the company did not comply with the requirement, and in this report there is not the statement of claims that were settled or not paid in full. Subsequently to this the New York Insurance Department enforced that requirement rigidly and it appeared in all of our reports up to and including the first one made after we reincorporated. You will find scattered all through this list of death claims paid a number of death claims paid, a number that are not paid at even amounts, and in the majority of cases these

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were claims that were settled, but there are no reasons given anywhere in this report for the non-payment in full of any claim.

Q. That would be the same report that you would put in in Canada?—A. That would be the same report that we would put in in Canada, because it requires us to put in the same report.

Q. That is the report of 1896?—A. Yes.

(Reports of 1896 and 1897 filed as exhibits.)

By the Hon. Mr. McSweeney:

Q. You say you complied with the requirements after 1896?—A. The department required the full compliance after 1896. 1896 was the first report I made of the department that I superintended.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You are required by every state to file a report?—A. In each state that we are doing business, yes.

Q. And they furnished you blanks which you filled in and swore to every year in the different states of the Union?—A. Yes.

Q. And also Canada?—A. Yes.

Q. Were they always the same?—A. No, there were varying forms of statements required by different states and the same state sometimes made changes in the form.

Q. But the amount of insurance in force, and that sort of thing would be the same?—A. Not always, no.

Q. Where would it be different?—A. Because different states required different provisions in regard to the payment; for instance, at the present time in the state of New York we report the business paid for on our books on the 31st December as the business in force. The state of Massachusetts requires us to report every policy that is issued during the year without regard to whether it is paid for or not as business in force, and there are various requirements in that regard in the different states.

Q. That is the report of 1895, is it not?—A. It seems to be the report of December 31, 1895.

Q. Take the total amount of insurance reported in force, page 3 of the report. What is the amount at the end of the year?—A. \$308,659,371.

Q. Now at page 29—this is the annual report to the annual meeting, is it not—look at that at page 29, the same year?—A. It is the address of Frederick A. Burnham, President of the Mutual Reserve Fund Life Association, at the fifteenth annual meeting, January 22, 1896.

By the Hon. Mr. Béique:

Q. And the other report is what date?—A. 31st December, 1895. It is the report made to the New York Insurance Department.

By Mr. Coster, K.C., Counsel for the Committee:

Q. At page 29, he says, does he not: 'That on December 31, 1895, we had in force 105,878 policies, covering insurance to the amount of \$308,659,371?—A. Yes.

Q. That agrees with the other one?—A. Yes.

Q. Being a gain of 9,811 policies and \$15,293,265 insurance. Every dollar of this was actually written and issued before January 1st, 1896?—A. Yes.

Q. Was that true?—A. So far as I know it is Mr. Burnham's statement. I have no reason to doubt it.

Q. Was there not a lot of insurance there which was not in force?—A. If you mean thereby—

Q. And which has never been paid since?—A. You mean not taken business?

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Q. That was not in force at the time that statement was made and has never been in force since.—A. If you mean the business that had failed to pay an assessment and was carried under the right of reinstatement, that is included in that business.

Q. And how much did it amount to about ?—A. At that time ?

Q. Yes ?—A. I cannot say. At the close of 1894 there was a little over five thousand policies.

Q. What would be the amount ?—A. Probably that would amount to fifteen million dollars.

Q. Now, in that year was there not fifty million of that which was not in force ?—A. That had failed to pay an assessment and was carried under that provision ?

Q. Yes.—A. No.

Q. It would not be as much as that ?—A. No.

Q. Exactly the same thing occurred in 1896, did it not ?—A. Yes.

Q. In 1896—A. There was the same condition in regard to those policies in 1896 as in 1895, exactly.

Q. In 1896, in the address of Frederick A. Burnham, president—A. There was included in the business as returned the policies that had failed to pay as assessment and were carried under the right of re-instatement.

Q. In 1896, I see—you will correct me if I am wrong—is this document 1896 ?—A. Yes.

Q. You say that there were 118,449 policies in force at the close of the year and that the amount of insurance was \$325,000,000 and upwards ?—A. Yes.

Q. And in President Burnham's address to the shareholders at the annual meeting in the following year he makes the same statement to them ?—A. He says there is insurance outstanding to the amount of \$325,000,000.

Q. The same as the other ?—A. Yes.

Q. An increase in policies 12,571 ?—A. Yes.

Q. And of ?—A. \$16,366,960 insurance outstanding.

Q. How much of that was not in force ?—A. There was probably 6,000 policies that were carried under the right of reinstatement.

Q. Which were not in force ?—A. Which were carried under that right of reinstatement.

Q. Which were not in force ?—A. The insurance was outstanding in accordance with the rules of the New York Insurance Department.

Q. If they had died they could not have collected ?—A. Some of them could and some could not.

Q. If they had sued on misrepresentation only ?—A. There were some of those policies that carried the right of payment for six months and some of them carried the right of payment for a year, in the event of death after payment when they were all included in the report in accordance with the rules of the New York Insurance Department, fully understood by that department, and communicated to me as the rule of that department by the counsel of the department. I was simply observing the rules of the department in putting those in the policies outstanding.

By the Hon. Mr. Gibson :

Q. You looked upon them as not being outlawed ?—A. As not being outlawed. There had been a decision of the New York Supreme Court declaring the right of reinstatement as being a vested right. The court had so far enforced that as to allow that right if the insured had died, and in discussing that point with the New York Insurance Department, when I came in to make the reports, I brought up the report that had always prevailed with the company, and he instructed me that under that decision he saw no reason to make the change, but that I should include as I had hitherto done, and under his instructions I did include it. It never was concealed. You can find in the Illinois report, in 1894, a statement of the exact amount.

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By Mr. Coster, K.C., Counsel for the Committee :

Q. When did you first state it in the New York report—the exact amount?—

A. At the close of 1897.

Q. But never before that?—A. No. As a separate item.

Q. And then did you put in the amount?—A. No.

Q. Just put in the number of policies?—A. Yes.

Q. Was that not because the superintendent insisted upon it?—A. No, sir, it was not. It was done voluntarily by myself, and after I had been to Albany particularly and discussed the question and asked permission to do so.

Q. And they only gave you permission to do that?—A. They raised no objection to my doing so.

Q. Take the 1897 report?—A. The same condition prevailed there.

Q. At the end of 1897 I see the statement says—

Hon. Mr. BÉIQUE.—If the same condition applies, that is sufficient. You can file them for identification and refer to them.

Mr. COSTER.—I will get them on the record.

Hon. Mr. BÉIQUE.—I call attention of the Committee to the advisability of not going into these matters. I think we are travelling extensively outside of the inquiry entrusted to us.

Hon. Mr. LANDRY.—It is a mere repetition for the other years.

Mr. COSTER.—Not quite. I think they will be the same after 1897. I will put in the 1897 statement and refer to the other.

Q. In 1897, according to this report—I can be corrected, if I am wrong—the total policies, 111,908; insurance in force, \$301,567,101, and then at page 26 of President Burnham's address, look at that mark marked in pencil: 'The truth is, that with the close of the year 1897 the association had practically \$10,000,000'—read it.—A. 'Ten million dollars more paid for business, more business which is actually paying its assessments, wherewith to meet its obligations, than it ever had before.'

Q. And in that year 1897 how many million dollars of business were there which were not in force?—A. There was 6,189 that were in the policies that have been named; as regards other policies, where the assessments had ceased to be paid, it probably covered about \$18,000,000 insurance.

By the Hon. Mr. Watson :

Q. You say, not in force?—A. I do not say, not in force. I say, under the condition that they had failed to pay an assessment, but were simply carried on our books as a vested right.

By the Hon. Mr. Gibson :

Q. As a liability company?—A. As a liability company to whatever extent there was a liability.

By Mr. Coster, K.C., Counsel for the Committee :

Q. And also a prospective asset, was it not?—A. I do not know in what way it was a prospective asset.

Q. Could you put liens on those?—A. No, sir.

Q. Why not on those, just as well as on another one?—(No answer.)

Q. In 1898 the same thing occurred, did it not?

By the Hon. Mr. Béique :

Q. There was the same condition, without taking the figures?—A. The same condition was observed in making a return, excepting that in the foot-notes I gave the number of the policies and the insurance that was covered thereby.

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By Mr. Coster, K.C., Counsel for the Committee:

Q. In 1898 there was \$269,000,000 represented as being in force?—A. Yes.

By the Chairman:

Q. How many policy-holders represented in that?—A. 102,379.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And in 1899 you represented 71,062 policy-holders and \$173,714,000 insurance?—A. I represented 71,062 policy-holders, covering \$173,714,682 of non-delinquent business, but carried upon the same basis as that with us, 85,571 policies, covering \$212,773,786. I made the full division in that report as between the delinquent business.

Q. What was the delinquent business?—A. The delinquent business on which there was a liability during delinquency, 981 policies, \$2,650,100.

Q. And the others?—A. The others were those that had failed to pay and had the right of reinstatement within a year.

Q. Read what the report says?—A. 'Policies or certificates delinquent with the right of reinstatement December 31st, under an order on which association's liability is suspended during delinquency, 13,529, covering \$36,409,000.'

Q. What were the others?—A. Policies or certificates delinquent with the right of reinstatement December 31st under an order on which association's liability continued during delinquency.

By the Hon. Mr. McSweeney:

Q. That is the first year you made the distinction?—A. That is the first year I made the distinction in the schedule, but at the end of 1897, and again at the end of 1898 I made the statement in my report.

Q. How could they get reinstated? What would they have to do?—A. The by-laws which are in contain it.

Q. State it shortly.—A. If you pass me the by-law I will read it as the most distinct way in which I can state it. The by-law reads as follows: 'The executive shall have power to reinstate a delinquent member at any time within a year for good cause shown—article 11, second paragraph of section 6—and upon satisfactory evidence of good health and upon payment of all delinquent dues and assessments.'

Q. What would be necessary to be done? He would have to be examined again by a doctor?—A. Under the rules of the association, if the delinquency had not extended over thirty days we would receive the payment and give him a conditional receipt—that is a receipt conditional upon his being in good health. If it had not extended for ten days we would reinstate upon a satisfactory certificate of health; if ninety days, we required a medical examination and the payment of delinquent dues and assessments in all cases, not simply in the last case.

Q. Perhaps without going into the report you would be able to explain this; I have taken this out of the report; according to the New York report of the year 1900, the total amount paid by members was \$4,000,000?—A. \$4,836,897.88.

Q. That is the Connecticut report?—A. Yes.

Q. What is the amount paid by members according to that report?—A. \$14,126,341.93.

Q. Then this is the Massachusetts report of the same year: Total premium income given in the report the year ending December 31st, 1900—

A. \$5,881,365.68.

Q. Here is the Wisconsin report the same year ending December 31st, 1900?—A. \$5,883,868.56.

Q. Now take the report to the Insurance Department of the State of New York—what was that in 1900?—A. \$4,836,897.88.

Q. That was the total income during 1900?—A. That was the total paid by members, according to the New York report.

Q. What was the total income stated in the official report made to the Department of Massachusetts for the year ending 31st December, 1900?—A. \$14,302,480.66.

Q. And Wisconsin, what was the total income?—A. \$14,304,983.54.

By the Hon. Mr. Béique:

Q. What income?—A. The income of the company.

By the Hon. Mr. McSweeney:

Q. The premium income?—A. The premium and other income—the whole income.

By Mr. Coster, K.C., Counsel for the Committee:

Q. That would be the income of the company everywhere?—A. That would be the income of the company in accordance with the requirements of that particular blank.

Q. But everywhere; it would not only be in that state?—A. The income on the whole business of the company.

Q. In Canada?—A. It includes Canada.

Q. In each case it would be that?—A. Yes.

Q. What is the difference between those? Why is there so much difference?—

A. It will be a very lengthy explanation.

Q. Perhaps you can state shortly why it was?—A. I cannot, Mr. Chairman. This matter has been brought up once on criminal libel, and I was on the stand for some time and it took me some days to analyse the matter so as to present it in a clear manner. I will explain it in the shortest possible way that I can. In 1900, as has been stated before in my testimony, the company reinsured partially the business of the North Western Mutual Life Assurance Company of Chicago. It received from that company a certain amount of cash assets and it received certificates of liens or loans which the company had taken in changing its business to a level premium business, which certificates of liens or loans represented the reserves at the time of the exchange. These liens or loans were recognized by the State of Illinois as a part of the assets of the North Western, and we so received them. We reported to the State of Massachusetts as a legal reserve company. We reported to the State of New York and to the State of Connecticut as an assessment company; three different blanks, covering three different classes of business, regulated by three different statutes, were sent us to be filled out. We followed the requirements of those several blanks so far as we possibly could. In the State of Connecticut, for instance, as far as the blank was concerned and as far as our judgment went, we were compelled to include the liens and the assets received from the policy-holders of the North Western Life as among subsequent years' assessments or premiums received from our policy-holders, which made the amounts paid by members, as returned to the State of Connecticut, something over \$14,000,000. In the State of Massachusetts there was an item under the income, and outside of the items that cover the premium income, which reads: 'Ledger assets other than premiums received from other policies for assuming their risks.' Under the requirements of that blank it is made necessary to carry these liens, and so far as that individual item, which is 16 in the schedule of income, they of course could not go into the item of premiums, and therefore the item of premiums was reduced by that amount, while in Connecticut it was increased by that amount. In the State of Wisconsin it was also the requirement 'Ledger assets other than premiums received from other companies for assuming their risks.' And that was carried outside of premiums and into income in the schedule. The same return was made to the State of New York, but the New York Department ruled that under the New York law, which of course we have in our country, a separate law in every

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state. There is no federal legislation as to insurance. Every state is a law unto itself, and has its own law, which varies from every other state. The New York Insurance Department ruled that under the New York law anything received as representing the reserve other than cash could not be included in the income or could not be included in assets because they had no authority to include under liabilities any reserve against assessment policies. They, therefore, excluded that item entirely of these liens from the schedule of assets. They did the same in reference to the liens then taken by us on policies that we had changed to a contract reserve basis because they charged us with no liability. As it would not appear in the assets, it must come out of the income, but under the instructions of the New York Insurance Department I made a return excluding it from income, excluding any items relating thereto from disbursements, and excluding any items relating thereto from assets, and appended to my statement to the New York Insurance Department was also a statement of why I did this, what the amounts were, and that it was done under instructions of that department, that item will account for the discrepancy in income between these different statements, excepting that in the two statements rendered on the assessment blank we will find an item deposit received during 1900, assessments paid before due, \$234,480.46. These were assessments deposited before they were called, and under the stipulated premium law and under the old line law they were counted as premiums received on account of the year's current premium, but under the assessment law they were treated simply as deposits made, from which assessments were in the future to be paid as called. They, therefore, appear in that statement as deposits, and then subsequently as calls in the premiums, the deposits not being a portion of the premiums under the blank, and under disbursements you will find correspondingly in the assessment blanks item to cover those premiums so paid, and transferred to assessments from deposit, which will show an alteration and discrepancy in the outgo between these blanks and those on which we return the legal reserve and stipulated premium business. The final analysis of these different statements come down to the same matter ultimately, with the exclusion of these particular items that I have referred to, with the exception of an item amounting to about \$2,000, which in the report made to Massachusetts Department at the end of 1899 was admitted as an asset—it was some premium notes—because there was a reserve charged against those policies, and it was a permissible asset. In Wisconsin at the end of 1899 we have made our returns as an assessment company, and that item could not be admitted, but when we came to make our return as a stipulated premium company the next year it became a legitimate asset but it had to go into the income in order to get it into our assets, and therefore in that respect the Massachusetts and the Wisconsin statements differ by just about \$8,000.

Q. What is the greatest difference? Some millions?—A. The greatest difference is some million.

Q. Take the report of the State of New York of the total amount paid to members for the year ending 31st December, 1900?—A. \$3,451,908.33.

Q. Take the report of the State of Connecticut of the total amount paid to policy-holders for that year?—A. \$4,696,563.77.

Q. So that in Connecticut you paid \$1,244,655 more than you paid in the New York report?—A. It consisted of those notes and liens which the New York Department instructed us to exclude, which were cancelled by reason of the lapse of policies, they being in the assets under the Connecticut blank. In order to remove them from the assets with the lapsed policies, they had to be charged under disbursements to make the balance, but not being included in the assets at all under instruction of New York, they do not appear in the disbursements.

Q. But that is paid the policy-holders?—A. Yes.

Q. How can you say you paid \$1,224,000 more to policy-holders when you did not pay it?—A. Because there was that amount of lien notes that ceased to be in force

by reason of the lapsed policies, and the blank as prepared by the department requires us to put down any notes so terminated by lapses as disbursements to the policy-holders.

Q. And so before that those liens would go down in your statement as cash?—A.

Oh no.

Q. They were what you said were actual assets of the company. You said you could put a lien on the policy for a thousand dollars and make it worth a thousand dollars?—A. I did not state anything of the kind.

The Committee then adjourned until 10 a.m., to-morrow, 22nd June.

OTTAWA, June 22, 1904.

The Committee resumed at 10 a.m.

Mr. GEORGE ELDRIDGE—Mr. Chairman, before proceeding with the evidence, I desire to hand you copies of the by-laws of the Mutual Reserve as now in existence. Last night when I turned them up there seemed to be a reflection that I had not complied with what was requested—not on your part, but I desire to hand you the contract received by me, asking specifically for this, and I also desire, before proceeding, to call attention to the fact that the counsel last night asked me to produce a certain report that I had not made to the board of directors in regard to expenses, stating that I had been ordered to produce it here, and evidently laying the foundation for producing a copy. I had not my order with me at the time, and, even if I had, I should have accepted his statement as made in good faith and true, because he had the statement before him. As a matter of fact, I had not been ordered to produce that report.

By Mr. Coster, Counsel for the Committee :

Q. Have you the report?—A. I have not.

Q. Would you take those reports to the Insurance Department of New York ; I have made up a little statement here which I would like to check from the report, and see whether it is correct, with reference to the building. It is taken from those reports. 1896 was the first one. In 1896 rent, \$144,673.94, expenses, \$131,662.58, leaving a balance of \$13,011.36. Is that correct?—A. Those are the figures contained in this report. What the expenses covered I do not know.

Q. But is that correct by the report?—A. Yes.

Q. Take the next one, 1897. You have rent, \$147,303.28, expenses, \$136,697.51 ?—A. Yes.

Q. Balance, \$10,605.77 ?—A. Those are the figures there contained.

Q. That is the sworn report to the Department of New York?—A. It does not necessarily show the net income of the building, because it may have been charged to the sinking fund or to interest on the invested monies in the expense.

Q. That is what you submitted?—A. I will submit to the Committee a statement of all receipts and of all expenses detailed under the various heads of each and every year, so as to show exactly the relation, and I have already telegraphed, subsequent to the hearing last night, to New York for that to be prepared.

Q. And did you get that report of yours that you made, which you said you did not get notice to produce ? It was not mentioned in the notice to produce, but I should like you to produce it?—A. I should not be able to identify it without the original. I am willing to send for the original.

Q. Now take 1898. Have you 1898?—A. Yes.

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Q. \$147,706.82 rent, and expenses \$139,463.86 ?—A. Subject to the same remark.

Q. Balance \$3,242.96 ?—A. Subject to the same remark.

Q. That is the sworn statement you put in. Did you sign that report ?—A. I do not know whether the expenses include the interest on the investment or not. I cannot tell at this time.

Q. Who swore to the report there ?—A. Mr. Burnham swore to it.

Q. Who was the 1896 report sworn to by ?—A. The figures are unquestionably correct, covering all the items, but I do not know whether there was included in that the interest on the investment or not, and I can only tell when I get the detailed statement which I have telegraphed for, of what every expenditure was for. I have ordered them divided.

Q. Who swore to the 1896 report ?—A. Mr. Burnham.

Q. Who swore to the 1897 report ?—A. Mr. Burnham.

Q. And the 1898 report, Mr. Burnham. Now take the 1899 report. Who swore to that ?—A. I did.

Q. That is sworn to by yourself ?—A. I swore to it.

Q. The rent was \$140,334.04 ?—A. Yes.

Q. Expenses, \$127,038.18. And the balance, \$13,295.86. Now, 1900, please?—A. Yes.

Q. \$131,911.21 for rent, and expenses \$130,354.75, showing a balance of \$1,556.46 ?—A. Subject to the same statement; yes.

Q. Who was that sworn to by ?—A. By myself.

Q. Now, who swears to the 1901 statement ?—A. Myself.

Q. Rent \$128,767.72. Is that right ?—A. Yes.

Q. Expenses \$135,059.97 ?—A. Correct, subject to the same remark.

Q. Showing a difference of \$6,292.25 ?—A. Subject to the same statement; correct.

Q. In 1902, who is that statement sworn to by ?—A. By myself.

Q. The 1902 statement is in that one there. The three years are there ?—A. Yes.

Q. \$139,246.70 ?—A. Yes.

Q. Expenses \$125,317.44 ?—A. Yes.

Q. Showing a balance of \$13,000 ?—A. Yes.

Q. In 1903, rent \$142,440.73, expenses \$121,371.80, showing a balance in favour of the company of \$22,000 ?—A. Yes, that is the statement.

Q. All those statements of rent for eight years include the \$401,400 rent paid for home office by the Mutual Reserve Company, \$50,400 per year, is it not ?—A. I am not confident that during all those eight years the \$50,400 was charged.

Q. Look at the reports. It is stated in there that this is all taken from the reports. That is the fact and I only want to get it on the minutes. Two years, \$49,500, and the rest of the time \$50,400 is what the reports show, amounting in all to \$401,400, amount paid ?—A. The report does not show at the end of 1896, the charge; at the end of 1897 it shows \$49,500, and I presume '96 was the same.

Q. And '98—\$54,400 ?—A. Yes.

Q. Then that would make that correct. Then on that you would say that \$528.22 as shown by that report as invested in the building, when the lease expires that \$528.22 will be forfeited to the Weld Estate, will it not ?—A. There is \$483,000 invested in that.

Q. Look in the 1896 report, the same schedule ?—A. This is the 1896 report. That amount stated there included furniture and so forth. The amount invested in the building itself is \$483,000.

Q. Read that amount there in the sworn statement, the amount paid on construction ?—A. Amount paid on account of construction of 14-story home office building at the northwest corner of Broadway and Duane street, New York City, \$528,022. There was subsequently an adjustment between them.

Q. That is the sworn statement that went in ?—A. In 1896, but it is not the sworn statement at the same time.

Q. It was not true ?—A. It was true, but there had not been the adjustment between the Weld Estate and the company at that time which subsequently took place, and placed the building on the basis it now stands upon the books of the company.

Q. Did the Weld Estate return you some money ?—A. There was an adjustment of the accounts which left the amount of the company's investment in the building \$476,653.50, which was subsequently increased by some additions to the amount at which it stands to-day, \$483,666.50.

Q. Did the Weld Estate return the company any money ?—A. I do not know what the particulars of the adjustment were.

Q. If they did return you any money, would you kindly show it to me in your reports where it is entered ?—A. It would not appear in our income.

Q. Do you mean to say \$100,000 could be returned to you and not be shown ?—A. It would be exactly the same as any other investment that might be made and disposed of. If we had sold a \$100,000 worth of bonds, the proceeds of the bonds would not appear in our income.

Q. Will you say they did return a dollar of the money ?—A. I do not swear yes or no in regard to that, because I am not conversant with the conditions of the adjustment; but I know that the amount invested in the building at the present time is \$483,666.50.

Q. You remember that exactly to the cent, and yet you do not remember ?—A. I have verified it a number of times in swearing to the report since then. I did not swear to the report in 1896.

Q. Who swore to the report in 1896 ?—A. Mr. Burnham.

Q. Who prepared it ?—A. Portions of it were prepared by myself.

Q. Was it not all prepared by you, or under your supervision ?—A. Portions of it were prepared by myself and portions of it were prepared by other officers of the company.

Q. Under your direction ?—A. Not all of it, no.

Q. Were you not actuary of the company ?—A. I was.

Q. Was not the whole report prepared under your direction ?—A. The schedule of real estate—

Q. Let me look at the report of 1896. Is your name not signed to it 'George D. Eldridge, actuary' ?—A. Yes, it is there. I signed it and certified to it.

Q. And over your signature are the words, 'I hereby certify that the above is correct' ?—A. Yes.

Q. Now you say it is not correct ?—A. I did not say anything of the kind.

Q. Would you kindly look at the report of 1900. Total amount paid to members, \$3,451,908.33. Is that correct ?—A. It is correct.

Q. Total disbursements, \$5,077,247.84 ?—A. That is correct.

Q. Look at the Connecticut report the same year ?—A. Mr. Chairman, last night, in order not to appear in the attitude of attempting to conceal the fact of these discrepancies between the various reports, I answered in reference to these four reports and explained in brief the reasons of the discrepancy between them. I now ask a ruling of the Committee on this point. The law of Canada takes cognizance of two reports from this company, one of the Canadian business, made upon a blank furnished by the Canadian Insurance Department; one of the general business, to be made in the form required by the Insurance Department of the law of the state where incorporated. This company reports to forty different governments, including Great Britain and governments across the water, and you might just as well take up the forty odd reports made upon different blanks prepared by different departments, with authority to exact whatever they required and to have the report made in the form that they required, as any of these reports. I have explained in general these discrepancies between these

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reports. I appeal to the Chairman whether it was necessary to go into all these matters beyond this general explanation.

Q. Who swore to the Connecticut report?—A. I presume that I did.

By the Hon. Mr. Landry :

Q. Your contention is that these reports are not made on the same basis?—A. No, not on the same basis or same requirements.

Mr. AYLESWORTH.—I submit these matters have no bearing whatever upon the present inquiry.

By the Hon. Mr. McSweeney :

Q. You are not in every state of the Union?—A. No, we are not in every state. Two states have declined to issue our license, California and Illinois, and in others we have not applied for admission; but we are in states representing two-thirds of the population of the United States.

Mr. COSTER.—I submit it is not unreasonable to ask the witness to explain these discrepancies.

The CHAIRMAN.—Under the circumstances, I think counsel is entitled to obtain from the witness an explanation of that fact—how in one state it can be affirmed under oath that a certain amount is paid and that in another state a less amount is paid.

WITNESS.—Counsel asked me identically the same question last night, and I answered it.

By the Hon. Mr. McSweeney :

Q. That is about all the answer you can give?—A. The answer I have given is that in New York we were specially instructed by the department that all matters of liens received from the North-western Life and also from our own policy-holders, were to be excluded from our assets, and therefore, must be excluded from our income and disbursements. In Connecticut those items were admitted as assets, and therefore appeared in our income, and in our disbursements, and the difference rests in the fact that New York admitted only the cash assets, and that Connecticut admitted the lien assets, including those received—

By the Chairman :

Q. What bearing would that have on that item of payment to the members, three million in one state and two million in another?—A. We received from the North-western, for instance, \$8,000,000 liens.

By Mr. Coster, Counsel for the Committee :

Q. What is the amount?—A. We received in round numbers from the North-western about \$8,000,000 in liens, which went into our income. That is in the states which admitted that as a portion of our assets.

Q. Would it not be over \$8,000,000?—A. It is about \$8,000,000.

Q. It would be between \$8,000,000 and \$9,000,000?—A. About that; of those liens a certain number of the policies against which there were liens ceased to be in force during the year 1900, and the liens on those policies were about \$12,000. That \$12,000 having appeared in the income, the policies having ceased to be in force, and the liens ceasing to be assets must be disposed of through the disbursements of the company, and they appear as liens on policies ceased through lapsation, and under department requirements those were listed as payments to policy-holders, so that that \$1,200,000 appears in the Connecticut report as a payment to policy-holders, and consists in a great measure of the lapsed policies under liens which had ceased to be in force in lieu thereof—Policies including liens or premium notes

voided by lapses, \$1,279,525.87.' That appears in the Connecticut report and does not appear in New York.

Q. Deduct those amounts from the amount, and see if you do not get a balance of \$5,195.73 still not taken?—A. I know what that means.

Q. What does it mean?—A. The amount of money expended for furniture.

Q. Look at the New York report, item 13, and that is exactly the reason I mentioned that amount, \$5,195.73 reported as paid for furniture?—A. Yes.

Q. That was paid for furniture in the building in New York?—A. Yes, for the building in New York and in our branch offices, furniture in different places.

Q. Now look at the same item in the Connecticut report, item 14?—A. Yes, it states none.

Q. It states 'furniture none'?—A. Yes.

Q. How do you account for that?—A. I account for it in this way, that in counting the furniture, the fixtures were carried as an asset and were excluded from our admitted assets, under the portion of the schedule in the blank furnished by Connecticut, 'Deduct assets not admitted.' In New York, on the contrary, the blank does not call for furniture in the ledger assets, but calls for it to be excluded otherwise—not included at all in our assets, and therefore became an expenditure, while at the other point it was simply an investment.

Q. There is an item asking for furniture in the New York reports?—A. Yes.

Q. And also in the Connecticut report?—A. Yes.

Q. And in the Connecticut report you say there is none?—A. Yes.

Q. And in the New York report you say there is \$5,195?—A. As long as in the Connecticut report, the furniture was carried as a ledger asset, it could not be included in disbursements. In New York, by special provision of the blank, it was excluded from ledger assets and therefore must be made a disbursement. The result was as long as it appeared in Connecticut it was excluded under the item of no admitted assets. In New York it did not appear at all in ledger assets.

Q. In the Massachusetts report you also swear that there are none?—A. The New York report was the only one in which that item appeared as a disbursement. In all the other reports it appeared as an investment or ledger asset. It was excluded under the assets not admitted.

Q. And in the Wisconsin report you say there is no furniture?—A. The New York report was the only one in which that item appeared as a disbursement. In all the other reports it appeared as a ledger asset of the company.

Q. In the New York report you say you paid out \$5,195 for furniture, and in all the other reports—I think you swore to them all?—A. I did.

Q. You swore you paid nothing for the furniture?—A. I say that nothing went into the matter of disbursements for furniture, it went into the ledger assets, and the distinction was a distinction required by the department in the blank.

Q. By the sworn report to the New York department—check me if I am wrong but I am satisfied these are correct—the total paid to members is as follows: New York, \$3,451,908.33; Connecticut, \$4,696,563.77; difference, \$1,244,655.40. Disbursements—New York, \$5,077,247.84; Connecticut, \$6,316,707.55; difference, \$1,239,459.71.

Q. Those are the figures which you have explained how they occurred?—A. Yes.

Q. I think you have already said that you were one of the parties who conducted the negotiations or contract under which the Provincial Provident Institution of St. Thomas, Ont., was consolidated with the Mutual Reserve?—A. Yes.

Q. Was the contract reduced to writing?—A. It was.

Q. Have you it?—A. I have not. You will find it printed in the official blue-book of the Canadian Insurance Department of the year 1896 or 1897. A copy was filed.

Q. With the Provincial Provident?—A. Yes.

Q. There was one made before that that is printed in the blue-book?—A. No.

Q. Never but that one made?—A. That was the contract. Allow me to explain one matter. There was a contract made with the Provincial Provident directors, my
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recollection is of the 17th June, 1897, and when it came to be carried out, there were certain provisions in it that the Provincial Provident could not carry out, and they called a meeting of their policy-holders as of the 9th February, 1897—I think that was the date—at which they submitted the contract of June 17th, with the modifications called for, and that was confirmed by the meeting of the policy-holders as of the 9th February, and my impression is that both of them are printed in the blue-book.

Q. Did the first agreement provide in any way, directly or indirectly, for payment or remuneration to the trustees or to any of the officers of the Provincial Provident institution?—A. The first agreement did not.

Q. But any agreement?—A. There was an agreement entered into with three men representing the trustees, or who had been trustees of the Provincial Provident, that upon their carrying certain conditions contained in the first contract there should be paid to them certain remuneration for their services in transferring the business.

Q. Do you remember how much that was to be?—A. I do not remember. If they had paid the admission fees they were to receive the admission fees on the business and they were to receive a certain percentage of the expense dues received thereafter. When they came to carry out that contract they tendered trust funds of the Provincial Provident to cover admission fees under the contract. We refused to accept the trust funds for any such purpose, and they were advised, as I understand, that they had no power to transfer the trust funds in that way. Thereupon they called this meeting of the policy-holders and submitted a modification of the contract which provided for the trust funds to be turned over to the Mutual Reserve charged with the trust which rested upon them, as accumulated, and they were so turned over to the Mutual Reserve and received by them.

Q. What was the amount that they were bound to pay these trustees, whoever they were?—A. If they paid the admission fees on the business, which was \$8 a thousand, they were to receive that.

Q. How much each would it amount to?—A. I do not know. It was about \$8 a thousand the admission fee would be.

Q. How many thousand dollars or tens of thousands of dollars would it amount to—\$12,000,000 at \$8?—A. If the admission fees had been paid they would have amounted in round sum to about \$100,000.

By the Hon. Mr. McSweeney :

Q. For those three men?—A. They were trustees, I presume, for all the directors of the Provincial Provident.

By Mr. Coster, Counsel for the Committee :

Q. Is it or is it not a fact that the counsel for the Mutual Reserve Fund Life Association, in Toronto or somewhere else, has stated that if that contract was carried out it would put the parties concerned in the penitentiary, or words to that effect?—I do not know whether he did or did not.

Q. You never heard of it?—A. I never heard of his stating that.

Q. That their own counsel advised them that if this agreement, as first made, was carried out it would put all the parties in the penitentiary?—A. No counsel ever did advise us anything of the sort.

Q. Or words to that effect?—A. No. Colin McDougal, the counsel of the Provincial Provident, stated to the trustees of the Provincial Provident, that if they undertook to transfer those trust funds for the purpose of receiving them back as their compensation, they would be fortunate if they did not land in the penitentiary.

Q. But he did not think there would be any harm in your paying the money?—A. We declined absolutely to receive it for any such purpose.

Q. But the first contract was made agreeing to pay it?—A. No, it was not.

Q. Was there not a suit brought to recover it?—A. There was, and the suit was dismissed.

Q. Why?—Because it was an illegal contract?—A. Because they had no standing in court. We had not received the money which they tendered us in the way that they tendered it to us, and we refused to receive it in that way. We received it as trust funds, charged with the trust, and then they came and sued for that trust money to be paid to them as their compensation.

Q. If you had carried out your agreement and paid them, what fund would you have taken it out of?—A. We never made the agreement to pay them that trust fund.

Q. What was the suit brought on? Was it not brought on the contract or on an alleged contract?—A. On an alleged contract.

Q. And they produced it in writing, did they not?—A. No, sir, they did not produce it.

Q. Was it not in writing?—A. My impression is they did not produce it.

Q. It was not in writing?—A. It was. The contract with the trustees was in writing.

Q. And by that first contract, agreeing to pay them a sum which would be equal to about \$100,000?—A. The first contract was a contract with the trustees to transfer the risk, and a provision was therein contained that they should pay to the company certain money as admission fees and dues. They failed absolutely to make that payment to the company and the contract ceased. They then had on their hands certain moneys which were trust funds, and their license was suspended, and they came to Ottawa, got a restoration of their license for the purpose of calling a meeting of policy-holders to secure the transfer of those trust funds to the Mutual Reserve, charged with the trust under which they had been accumulated, and they held that meeting by the vote of the policy-holders, and instructed us to transfer them and did so transfer them and claimed they had made the payment of the admission fees.

Q. Would you kindly look at that and tell me if that is not a copy of the recommendation submitted by you to the company?—A. I cannot tell whether it is or not.

Q. Read it over?—A. I cannot tell by reading it over. It is a document I have not seen for a number of years. I was not subpoenaed to produce it and I could not tell by reading it over whether it is a copy or not.

Q. Have you produced any of the things you have been asked to produce?—A. I have not been asked to produce anything here except one or two matters specifically.

Q. It evidently is not an entire document by any manner of means. Look at it and see?—A. I can recollect that this is not the entire document that I submitted to the board of directors. I was not subpoenaed to produce that document and I have not seen it for five or six years, and I cannot tell you whether these four pieces of paper are a portion of that document or not. I have offered to have the document brought from New York at the earliest possible moment, and it will be here, but as for testifying whether these four pages, which are evidently not the entire document and do not contain the signature or the heading, are a portion of a certain document I have not seen for years, I cannot testify. We have telegraphed to have it here.

Q. Would you say that those are not all the recommendations you made?—A. I won't say anything with reference to that sheet of paper.

Q. Look over these leaflets and tell the Committee whether those were issued with or by the authority of the company?—A. In a general way I presume they were.

Q. There are leaflets and so-called facts concerning the Mutual Reserve issued by the company to their policy-holders and agents (leaflets filed as exhibits). I wish to call your attention to leaflet 10 A, 'invested assets December 31, 1899, \$3,461,230.22,' that is correct, is it not? I will call your attention to the fact that there is a difference of \$732,059.29, and I ask you which one is correct?—A. The report to the New York department divides the assets between ledger assets or the mortuary or contingent assets, and this is the sum of the two.

Q. Did the mortuary department admit those mortuary calls to be made as an asset?—A. They admit it as an asset against unmaturing mortuary liabilities. They

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require the case assets and the accrued liabilities to be set forth in one schedule. The unmatured mortality liabilities—that is, dead losses reported but none due—to be set forth in another schedule with the funds called to meet them as a deposit against it, the sum of the two would be the assets of the company, and the surplus would be obtained by taking the combined liabilities and deducting them from the combined assets.

Q. And that difference of \$732,000 is made up by adding on to the sworn report the mortality calls which were not due?—A. Which were due.

Q. Which were not due?—A. Which were due, but which had the thirty days of grace in which to make the payment.

Q. They were due?—A. They were due, but they had the thirty days' grace.

Q. Nothing more?—A. No.

Q. When is the mortality call issued by the company?—A. It is issued on the 31st day of December.

Q. And this would be the 31st December?—A. This would be the 31st December.

Q. So, therefore, they would be all due?—A. I testified they were all due, but they were within the days of grace not paid. Aside from that, however, they were always—

Q. They had thirty days' grace, had they not? The call was made on the 1st day of December. And they had thirty days' grace. Therefore, on the 31st day of December they were all due and overdue and unpaid. The day you made that report, and all those policies would have lapsed if they had not been paid?—A. No.

Q. Explain it?—A. The regular mortality call is made on the first week-day in December, and as a rule is not expired until the first or second day of January. Aside from that—

Q. Thirty days in December—the first week-day could not be later than the second of December?—A. No, it could not, and in that event the last day, of course, would be on the 1st of January. Aside from that, beginning with the 1896 business was not written to fall due upon the beginning of certain specified months, but corresponding with the date at which the policy was issued, so that there was at all times by this time policies that were falling due every day, and that would be included in that amount also.

Q. Look at this paper produced?—Are you the editor of that paper?—A. This is a leaflet taken from the 'Guardian,' of which I am editor.

Q. This is called the 'Guardian,' George D. Eldridge, editor, issued September 13, 1900, and at page 4, I find this is what appears in the report:—

'President Burnham is at the head of a company with 100,000 members, \$225,000,000 insurance; \$16,000,000 of interest; bearing resources and an annual income of \$8,000,000. There are not half a dozen companies that can show this business. The Mutual Reserve ranks amongst the first and it will be the honest ambition of President Burnham and his lieutenants to make it the best institution in all things worthy of its rank.'

Q. Is that statement true?—A. It is so far as I know, or was at that date.

Q. As a matter of fact, did the Mutual Reserve Fund Life Association at any period of its existence, have paid for insurance in force amounting to \$225,000,000?—A. It undoubtedly did.

Q. When was that? In 1900—because that is the date of this?—A. That does not say paid for business.

Q. What did it mean? What did you say it was intended for—that it was not in force?—A. I mean to say that that was issued as a record of the association by which the Northwestern Life Insurance Company was consolidated with the Mutual Reserve. The consolidated assets and business of the company amounted to the sum stated there. As to what would have been the result in the way of future maintenance of the business it did not predict or did not say, but at that time with the consolidation of the two companies, those figures were correct.

Q. How much was from the Northwestern?—A. There appeared on the books of the company, as it stood at the time that the contract of re-insurance was made something like, face value, between fifty and sixty million of business.

Q. But why did you say that it was about \$20,000,000 yourself?—A. I said it was something over \$20,000,000, that accepted the terms of the re-insurance and transferred to us subsequently.

Q. So that then in this \$225,000,000, this representation that you make is insurance in force and not in force?—A. It was the insurance in force in the Mutual Reserve added to the insurance that appeared upon the books of the Northwestern at the time of the consolidation of the two companies.

Q. Would you not say that that statement would be very deceiving to the public to say that there was \$225,000,000 of insurance when you say you knew there was nothing like that amount?—A. I did not say that.

Q. Why did you not say this \$225,000,000 was not in force?—A. Because that would not be the fact.

Q. It was in force?—A. That was the business on the books of the Northwestern, as it was transferred to us.

Q. And paid for to them?—A. Standing on their books in force.

Q. And paid for to them?—A. I do not know. It stood there, whether all of it was paid for to them or whether a portion of it would be running in the thirty days' grace, I do not know, but it was the business that appeared in force, and which was covered by the contract of re-insurance between the two companies as it appeared upon the books at that date. If I am not mistaken, it is explained in the other parts of the document.

Q. You say then that there were 100,000 members, that that statement is correct, do you?—A. I have not verified the figures.

Q. Look at your insurance report, December 31, 1901, and see what you swore to there. You say there were 81,000 members?—A. Yes.

Q. 81,076?—A. Yes.

Q. And yet in this paper you say there were 100,000 members. Which statement is true?—A. That is of the early part of September, when this consolidation took place, and was the consolidation of the membership of the two companies. The report made on the 31st day of December was as of the business at that date, after sifting out those that failed to avail themselves of the contract of re-insurance, or that lapsed as a matter of fact in the meantime.

Q. Did you not, as a matter of fact, only get about \$20,000,000 of insurance on your books from that company?—A. Counting it on the basis of the face of the insurance, there was somewhere between twenty and thirty millions that availed themselves of the contract of re-insurance to pay future premiums, but we assumed as of the 1st day of September, 1900, all business standing upon the books of the company as of that date, and carried the risks to the time that the next premium fell due, when they had the right to renew or to discontinue as they saw fit.

Mr. AYLESWORTH.—I have not objected, Mr. Chairman, but let me point out what an extraordinary procedure this is. A witness is called and examined-in-chief—not cross-examined at all, or supposed to be cross-examined—he is called as some one who can give information to this committee, and something is put in his hands which he has written, not as an officer of this company at all, but as the editor of some newspaper, and he is asked as to whether that is true or not. What on earth has that to do with the affairs of the company that I represent before this honourable body?

Hon. Mr. DOMVILLE.—The company sent these papers to us and we received them.

Mr. COSTER.—And the editor himself is the vice-president of the company.

The CHAIRMAN.—The objection would be well taken if these documents were not sent by the company to the policy-holders. The company would not be responsible for ELDRIDGE

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any publication by one of its officers, but if the company forward that publication as the condition of their affairs, then they become responsible for it. As long as these documents have been used by the company to represent their views they must be admissible.

Mr. COSTER.—We will undertake to prove they have been sent out. I asked the witness if they had been issued by the company, and he said yes.

WITNESS.—I said in a general way I thought they were.

By Mr. Coster, Counsel for the Committee :

Q. Take the sworn report of the Insurance Department of the State of New York for 1900, page 7, schedule B ?—A. Yes.

Q. I see a statement there that at that time the Mutual Reserve Co. had 4,000 shares of the National Life Insurance Co., the market value being given as \$302,000 and the amount in loans being \$200,000 ?—A. Yes.

Q. That is correct, is it not ?—A. That it held those shares as collateral for a loan of \$200,000.

Q. Look at the insurance report of 1901, New York Insurance report, December 31, 1901, page 7, schedule B ?—A. Yes.

Q. Is there anything there to show that the Mutual Reserve Life Association at that date had the 4,000 shares of stock ?—A. They did not have that loan outstanding at that date.

Q. What was the actual amount of the loan on these 4,000 shares of stock ?—A. \$200,000. It was a security received by us from the Northwestern Mutual of Chicago in the re-insurance of the company's business.

Q. Is there anything in that report of 1901 to show what became of the \$200,000 loan ? You say it was paid back ?—A. No more than of any other loan that would be paid back or any other security disposed of.

Q. You can find nothing in the report of 1901 showing that— ?—A. There is nothing called for by these blanks to show any changes that were made in investments, or where investments were paid in blank, does not call for anything of that kind. It simply calls for a schedule at the end of the year for securities of the company in which moneys are invested.

Q. The money was returned ?—A. The loan was paid for.

Q. Why does it not appear in the accounts ?—A. Why should it appear in the accounts any more than any other ?

Q. Under what head does it come ? Premium income—A. It does not come under any head in the income.

Q. Where it is shown ?—A. It was already in the ledger assets of the company. It does not need to go into the income to continue in the ledger assets in a different form. If we sold a piece of real estate we should not put the proceeds of that sale in our income. It is merely a change of form of the investment.

Q. That is the only explanation you have to make ?—A. That is the only explanation that could possibly be made. This blank is not the balance sheet blank. It is simply a statement of income and disbursements, but it starts with the ledger assets at the beginning of the year, and adds thereto the income, deducts therefrom the disbursements, the balance being the ledger assets at the end of the year. Then it calls for a statement of what the ledger assets are invested in. That is the blank of the New York Department.

Q. And the assets increased by that amount during the year, I suppose ?—A. They did not. The \$200,000 was in the assets at the beginning of the year in one form, and in another form at the end of a year also in the ledger assets.

Q. Is it irregular to take stock of another life insurance company ? Do you know that ?—A. Under the law of New York a life insurance company is forbidden

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to loan on or purchase the stock of another life insurance company, but there is a provision that in a case of re-insurance, or in event of the cancellation of a debt, it is permitted to take that security and count it into the securities for the time being. It cannot hold it permanently under the law of New York.

Q. Look in that report of that year. I see \$210,666.87 for commuting renewal commissions. Is that right?—No answer.

By Hon. Mr. Wilson :

Q. I think you stated the law of New York denied the company the right of purchasing stock in another company?—A. Yes.

Q. How was it that they purchased the assets, the stock and interest of the P.P.I. of Canada? If the law of New York prohibited it, could they extend into a foreign country and purchase the company's stock there?—A. I did not know the Provincial Providence had any stock.

Q. You said stock and assets?—A. No, I said the law of New York forbids us to purchase or loan upon the stock of another insurance company.

By Hon. Mr. McSweeney :

Q. You bought it outright?—A. We simply took the business of that company.

By the Hon. Mr. Wilson :

Q. You then purchased the stock or business of the P.P.I. contrary to the law of New York?—A. Not at all. The law of New York forbids us purchasing the capital stock or loaning on the capital stock of any company: in point of fact that law did not exist in 1896. It has been enacted since; but it forbids us to purchase the capital stock or loan on the capital stock of another insurance company. It did not forbid us from purchasing the business in force in another company.

Q. Did you not, when that suit was entered against your company in New York by Mr. Morgan—did you or did you not plead the impossibility of the legal transaction of purchasing this stock as one of the reasons why the suit should not be proceeded with?—A. We did not.

Q. I am wrongly informed, if I have been informed that there was any stock of the Provincial Provident?—A. There was no stock of that company.

Q. You bought the assets?—A. The law of New York provides that an insurance company shall not loan on the stock of another insurance company, or to purchase that stock. It does forbid us re-insuring the business of another company and taking its assets in consideration of that re-insurance, but it does not allow us to buy the capital stock of a stock corporation.

Q. Can you buy the Mutual operations?—A. We can take the business or we can take the business of a stock company and receive consideration for that, but not purchase the shares of stock of such company.

By the Hon. Mr. McSweeney :

Q. You can get possession all the same?—A. Yes.

Q. The result is the same?—A. No, I do not think the result is the same. What the law of New York intends is that a life insurance company shall not loan its funds or purchase the capital stock of another company which is intended to run along as an independent institution.

By Mr. Coster, Counsel for the Committee :

Q. Speaking of the purchase of the P.P.I., all you know is that you agree to pay them \$100,000, or equal to that, and afterwards you found it would be illegal to carry out your contract, and you did not give it to them?—A. No, that is not the situation.

Q. They did not get the money?—A. They never paid us the money that was the foundation of the contract or agreement.

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Q. They never got the money as a matter of fact, did they?—A. They never carried out their agreement as to making us the payment, and the payment was conditioned on their first making payment to the Mutual Reserve.

Q. They were to hand you \$100,000, and you were to hand it right back to them?—A. If they paid us equal to the admission fees they were to receive consideration for turning the business over to us, equal to the admission fees, and a percentage upon future dues. When they came to tender us their payment, they tendered us trust funds which were charged to the trust, and which we refused to receive because charged with the trust.

Q. You got them?—A. We got them charged with the trust for the new policy-holders, not however, to be paid to anybody as expense moneys, or anything else.

Q. So you found you were unable to carry out your arrangement with them?—A. They were unable to carry out their arrangement with us.

Q. And you were unable to carry out your arrangement with them, too?—A. They were unable to carry out their arrangement with us.

Q. They handed you over all the assets they agreed to?—A. No, they did not hand us over all.

Q. But they handed over to you the assets they represented themselves to have?—A. On the order of their policy-holders, in a meeting called for that purpose, they were instructed to turn over to us the trust funds of the institution charged with the trusts under which they held them, and we were to receive them charged with that trust and administer that trust for the benefit of the policy-holders.

Q. The only difference is, they were charged with a trust?—A. There was a material difference.

Q. But that was the only difference?—A. No. We are administering that money under a trust.

Q. They did carry out their agreement to give it to you, subject to a trust?—A. They did not carry out their agreement, and they asked, themselves, to have their agreement modified, and secured from the Dominion Government an extension of their license for the purpose of having it modified.

By the Chairman :

Q. Do I understand that if these people had carried out their agreement, you would have given them some remuneration?—A. If they had paid money as admission fees without any trust on them, we should have paid the money to them as the consideration for doing so.

Q. They would get the benefit and not the policy-holders?—A. Yes.

By Mr. Coster, Counsel for the Committee :

Q. With reference to that \$211,666.67, what is that for? You say from commuting renewal commissions?—A. It was for commuting renewals, agents' contracts, commissions that would fall due under them. We bought those renewals.

Q. You bought their contracts?—A. We paid a lump sum instead of paying the future renewals.

Q. How many agents do you think you paid that amount to?—A. I do not know.

Q. About how many?—A. I do not know.

Q. About how many?—A. I do not know.

Q. You were actuary of the company at the time, and made up the statements

Q. About how many agents did you pay that sum of money to?—A. I do not know how many benefited by it.

Q. There would have to be negotiations with each one, because you would have to fix the value of it, would you not?—A. The various contracts would have to be bought up, based on their value.

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Q. There would have to be negotiations on each one, because there would be no fixed value in the contract—it was the expectation of what he would get?—A. There were certain rules about the purchase of renewal contracts.

Q. About how many agents were there?—A. I do not know.

Q. A dozen?—A. I do not know.

Q. Can you tell me the names of any of them?—A. One of them was named Merrion.

Q. What is his first name?—A. I forget his name.

Q. What is his address?—A. I think he lives in Detroit.

Q. About how much money did you pay him?—A. I do not remember now, but the larger part of that was paid to him.

Q. The larger part of that \$210,000 was paid to him, was it?—A. Yes.

Q. What is his first name?—A. I do not remember his first name now.

Q. What was he, an agent of the company, or what?—A. He was a representative of the company who represented the transfer of the Northwestern Mutual Life Assurance Company to the Mutual Reserve—the re-insurance of that company.

Q. What was his name?—A. I do not remember his first name. I presume I shall before I leave here, recall his first name. I do not recall it now.

Q. You say Mr. Merrion is of Detroit, Mich.?—A. I think he is living in Detroit, Mich., now, but I am not certain.

Q. Where was he living then?—A. In Chicago.

Q. What was he—a lawyer?—A. He was.

Q. How long had he been agent of the company?—A. I think he was appointed in May, 1900, that is my impression. He was the agent who secured the transfer of this business to the Mutual Reserve, and it was under contract we gave him a renewal interest in that business, and we retired it by buying his renewal interest.

Q. So what you did was, you paid him \$210,000 for his services in securing the transfer of that Northwestern Company?—A. That money was not all paid to him, but we entered into a contract with him for a renewal interest in business transferred to the company, not the Northwestern, but a general contract and under it he secured this transfer, and he had a renewal interest extending over several years, and the expenses of the premiums—

Q. What you mean to say is, he was employed by you to get this business?—A. He was employed by us under contract as an agent to secure the transfer of business to us, or secure business.

Q. And the greater part of that amount was paid to him?—A. A very considerable portion of it was paid to him.

Q. Had that payment anything to do with those four thousand shares in the National Life?—A. No.

Q. There is absolutely no connection between those two transactions?—A. No, there is no connection at all.

Q. Nothing at all?—A. We paid him the money.

Q. I know you paid him the money, but was there any connection between the two transactions? Did not that \$200,000 get to him eventually?—A. Not \$200,000, but whatever we paid to him got to him. It is on the statement here.

Q. That is a different proposition; that is \$211,000, but had not that \$200,000 in the National Life shares something to do with this?—A. No.

Q. That money did not go to Merrion?—A. There was a considerable portion of this \$211,000 paid to Merrion, as I have testified. It was not any particular sum of money to the company, it was any money, not more that money than any other.

Q. Did no portion of this \$211,000 go to him?—A. I do not say anything of the kind. The money was taken from the funds of the company and paid to him. It might just as well be the proceeds of that note as any other money. I do not know any particular money that was taken to pay him. The money was paid him and it was taken out of the monies of the company.

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Q. Look at the report to the Insurance Department of New York, dated December 1, 1900, under the head of Ledger Assets. It appears, does it not, that there was due from agents, \$79,719.84?—A. Yes.

Q. And under the heading of Non-ledger Assets there appears 'agents \$402,702.66'—that is right, is it?—A. Yes, those are the figures.

Q. Those would be moneys advanced to agents, would they?—A. Yes.

Q. And these amounts together make \$482,421.50?—A. Yes.

Q. In the sworn report made to the Insurance Department of Wisconsin for that same year, is the item 'Agents' Debit Balance \$482,222.50' the same as the two items relating to agents in the report to the State of New York?—A. I have not the Wisconsin report before me, but if they foot up the same they are the same.

Q. Look at page 2 of the statement handed to you—that is the same, is it not?—A. Yes, I presume practically the same.

Q. Now look in the report to the State of New York for December 31, 1901—'Balances due from agents, \$88,228.69'—is it not?—A. Yes.

Q. And also look in that report at the items appearing under the head of non-ledger assets, and inform the Committee as to whether there is anything entered there under that heading relating to agents' debit balances?—A. The item is not entered there.

Q. Where is it?—A. It appears upon our ledgers, but is not entered in this report.

Q. It is not in the report there?—A. No.

Q. Why is it not in that report?—A. Because upon the New York Insurance Department making an examination of the company, we based our report upon their findings, and they did not carry that in as an asset.

Q. They would not allow it to you as an asset?—A. It was not claimed in the other statement as an asset: it was excluded.

Q. Why was it put in one year and left out another year? It amounts to about \$400,000?—A. That was accumulated agents' balances running back almost to the beginning of the company, and they still appear on our books as before, but are not carried in this schedule.

Q. They are no good?—A. I think they are of very little value.

Q. They have no value?—A. No value.

Q. But they were first left out in 1901?—A. Yes, they were first left out in 1901.

Q. And that was by order of the department?—A. No.

Q. Why did you suddenly take them out?—A. I do not know that there was any particular reason. They had been carried for a number of years, and they did not appear in our assets at all, and they were finally omitted and only the live and current accounts were carried into the ledger assets and have been carried since.

Q. How many policies about were there which provided for the payment of the bonds in cash—roughly speaking?—A. My impression is—of course none of those policies were issued since I have been there, but my impression is it was with reference to policies issued since 1881. About 1,300 of those policies were issued.

Q. Would it not be less than 600 now?—A. Probably there are not more than two or three hundred. I do not know that there are even that many, but I am only speaking as a general impression. I am not attempting to testify accurately as to the facts.

Q. No bond statements made any such provision and only a few of the bonds, did they not, for the payment of cash?—A. Comparatively few of the bonds and none of the bond statements.

Q. And notwithstanding this fact, were not the bonds and bond statements indiscriminately, cash and the proceeds thereof, paid as commissions to agents?—A. No.

Q. You say that is not true?—A. That is not true.

Q. No portion of them?—A. No.

Q. You say then that that \$394,000 list shown you from agents in December, 1891, less than there was in 1900, was practically written off?—A. At the close of 1900, the live accounts of advances to agents amounted to \$79,719.84. Aside from that, there were accumulated amounts upon the books dating back to the beginning of the company of \$402,702.66. In the 1901 report the only account that is carried is of the live accounts, representing \$79,719.84 and the changes that may have occurred therein, making it at the end of that year \$88,228.69. The \$402,702.66, which were moneys expended in getting business and charged to agents, was practically written off as an expense of the company.

Q. Was any of that \$394,000 and upwards paid into the treasury of the Mutual Reserve Fund Life Association?—A. I do not know whether any of it was or not.

Q. If it was, it was very little?—A. It was very little. It was accumulated advances that dated back and accumulate on the books without being written off.

Q. Do they stand there now?—A. Yes.

Q. How do they stand?—A. They stand there as nothing except as accounts of moneys that have been advances to agents. They do not appear in our assets.

Q. When does an advance to an agent cease to be an asset?—A. It is never included in the admitted assets of the company.

Q. What fund is it charged to when it is made?—A. It is charged to advances to agents and goes into the schedule of ledger assets, but in making the statement of the company is deducted from the heading 'Non-admitted Assets.'

Q. It is never admitted as assets?—A. It is never admitted as assets.

Q. But the agents are supposed to account to the company. When it comes back how does it come?—A. It is simply one of the assets of the company converted into cash.

Q. But it is not an asset?—A. It is on the ledger as an asset, and as in the statement made to the public through the Insurance Department, it is never admitted as an asset; it is always deducted as a non-admitted asset.

Q. In the first place, was there not a sinking fund—some provision about making a sinking fund, for what was called real estate at the corner of Broadway and Duane streets?—A. There was an amount carried to the sinking fund and charged as one of the expenses of the building for a time.

Q. How much did that amount to?—A. I have not the figures before me as to the amount.

Q. Look at page 98 and see if that is not there? Perhaps you could tell us from memory what it is; I think, as a matter of fact, it is \$84,000?—A. \$84,403.19.

Q. In what year?—A. 1898.

Q. See if you cannot find another one?—A. There is no such item.

Q. Let us look at 1901?—A. Yes, \$52,260.09.

Q. What became of that?—A. It is among the assets of the company.

Q. Where is it shown in your reports afterwards?—A. The separation is not made. After 1901 we ceased to report upon the assessment blank to the New York department which called for those divisions and reported upon the legal reserve blank, which is an entirely different blank, and does not call for it.

Q. And that sinking fund is there yet?—A. We have the funds still.

Q. To the credit of that account?—A. With whatever changes may have occurred in the meantime.

Q. Has it not increased?—A. I do not know what changes have been made. At the time of the change to the old line basis the New York department valued the leasehold at \$526,000. We have adopted since then the practice of charging off from the value of that building each year a sum that will reduce the leasehold expiration—at the expiration of the leasehold will wipe it out—so that we carry it in our statement at \$490,000 instead of \$526,000, at which the New York Insurance Department valued it two years ago, a deduction being made on account of the expired policy-holders, and being a substitute for a regularly established sinking fund.

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Q. How much is the sinking fund you have there now, roughly speaking?—A. I have not examined it.

Q. Does it not show in some of the reports?—A. No, it does not.

Q. Here is a statement made from those statements. You will see it is correct?—A. From those statements made here in lump sums, I should be unable to go into these figures of disbursements and the statements in the schedule 'C' and difference alleged. As I stated, these figures cover all our real estate, not simply our building, and I am perfectly willing to obtain the facts and present them to the committee.

Q. Will you admit that is a correct copy of the statement taken from the annual report?—A. No, I should admit nothing in regard to those figures.

Q. We will have to go over it.

Mr. AYLESWORTH.—It may go in, I think, on the statement of Mr. Coster that it is practically correct.

By Mr. Coster, Counsel for the Committee :

Q. These are tables showing from the sworn reports year by year the disbursements on one page and the disbursements on another page in which there are very large differences?—A. I am perfectly willing to obtain the information in detail which will enable me to go into it.

Q. This is a statement, the sworn reports of the Insurance Department of the State of New York. In the year 1897 in one page of the report disbursements \$137,554.87, and in schedule 'C' of the same report \$137,497, a difference of \$56.92, and the cost value of real estate, \$535,528.14. What is that difference between the two pages of the report in the same sworn report—how is it made up?—A. I do not know that the two items are intended to cover the same matters, and I do not know how the two items are made up. I am perfectly willing to obtain the making up of both the items and submit them to the Committee in detail, and until that is done I cannot testify as to whether the two items are intended to be the same.

Q. In 1898 there is a difference of \$208?—A. My answer must be the same.

Q. In 1899 there is a difference of \$27,284.40?—A. My answer must be the same. I think I could explain it, but I am not going to undertake to explain it without having the details, and I am willing to bring them to the Committee.

Q. And in 1900 there is a difference of \$23,899?—A. Yes.

Q. Same answer?—A. Yes.

Q. In 1901 there is a difference of \$52,000?—A. Yes.

Q. In 1902 we have not the report here, but in 1903 they are about the same: that you do not know how to explain?—A. I am not attempting to explain it without the details and seeing the way the two items are made up.

Q. In the 1897 report you state the cost of real estate to be \$535,528.14; in 1898, \$563,318; in 1899, \$560,312; in 1900, \$576,086; in 1901, \$679,910; in 1902 the amounts I have not just before me. I may fill it in afterwards. In 1903, \$682,848.04. Exhibit 11 reads as follows:—

REAL ESTATE AND INVESTMENT EXPENSES.

TABLES showing expenses of Real Estate, including Taxes, as per statement under the heading of Disbursements, and as per Schedulee 'C' in the sworn Reports to the Insurance Department of the State of New York.

Year.	Disbursements.	Schedule C.	Difference.	Cost Value of Real Estate.
1897.....	\$ 137,554 87	\$ 137,497 55	\$ 56 92	\$ 535,528 14
1898.....	141,50 45	141,296 12	208 33	563,318 54
1899.....	101,736 64	129,021 04	27,284 40	560,312 44
1900.....	108,669 32	132,569 11	23,899 79	576,086 31
1901.....	192,937 74	140,928 53	52,009 21	679,910 96
1902.....				
1903.....	125,703 74	125,703 20		682,848 04

DISBURSEMENTS DURING YEAR.

Year.	Taxes on Real Estate and Investment.	Investment Expenses.
1897.....	\$ 19,091 04	\$ 2,304 00
1898.....	20,463 96	2,200 00
1899.....	2,516 16	1,450 00
1900.....	3,204 71	1,200 00
1901.....	88,035 75	12,000 00
1902.....		
1903.....	22,956 06	900 00

Q. How did the cost value of the real estate increase?—A. Why there were constant changes, we did not own the same real estate exactly, the same items of real estate all the time; there were constant changes.

Q. You had real estate all over the world?—A. No, our real estate is confined almost entirely to New York, except some items in Chicago. The schedule shows how many items each year.

Q. But you never changed the value of any real estate?—A. We probably did not change the book value. We may have changed the market value.

Q. But the cost value of the real estate?—A. The cost value of the real estate there was as I have stated before. In reference to the building there were certain adjustments, of which I do not recall the details, which alter the valuation and book value of those premises. Now in 1897 by the report I see there is \$19,091.04 taxes on real estate and investment, and \$2,304 investment expenses. In 1898 the taxes are \$20,463.96 and \$2,200 investment expenses. In 1899 the taxes are \$2,516.16 and \$1,450 investment expenses. In 1900, \$3,204.71 and \$1,200 investment expenses. In 1901, \$88,000 and \$12,000 investment expenses, and 1902 is not filled in here. I will see that it is filled in. And 1903, \$22,956.06 and \$900 investment expenses.

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Q. What makes the great difference between those documents? They are the same amount of real estate, but yet the taxes vary per annum from \$2,000 up to \$88,000?—A. In 1899 and 1900 we disputed with the city of New York the valuation of the property and the taxes levied upon us. The taxes levied upon us were not paid on account of the dispute, but were carried into our liabilities as a liability of the company. In 1901, suit having been entered for the purpose of adjusting the matter, we were advised to make the payment of the three years, which we did, and began our suit against the city for the recovery of the amount, which suit is now pending simply before the referee as to the amount that shall be returned to us.

Q. So that you actually paid \$88,000 taxes in 1901?—A. Yes.

Q. That you have a voucher for, and \$12,000 investment expenses?—A. I was testifying as to the taxes, as to the matter of investment expenses.

Q. They went up that year to \$12,000?—A. As to that item, I cannot testify.

Q. What would the investment expenses be?—A. I do not know.

Q. That \$88,000 in 1901 was nothing but three years' taxes?—A. That was three years' taxes.

Q. And nothing more?—A. I presume, the interest on it.

Q. Nothing else besides the taxes and interest?—A. No.

Q. They charge you interest on the taxes?—A. Yes.

The Committee then adjourned till 10 a.m. to-morrow.

WEDNESDAY, June 23, 1904.

The Committee met at 10 a.m.

Direct examination of George D. Eldridge continued.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What are the expense dues on the five-year distribution policy plan? When was that plan first instituted?—A. In 1896.

Q. And what were the expense dues at first?—\$4.50 per thousand.

Q. The same at all ages?—A. Yes.

Q. And have they been changed since then?—A. They have not.

Q. They are the same to-day?—A. Mr. Chairman, before proceeding I should like to have produced the paper concerning which I was questioned yesterday, where there was a showing of a sudden increase in the investment expenses of from \$1,200 to \$12,000. I suspected at the time—I had not time to examine it then, having no papers before me—that there was a mistake in that, and I think I can demonstrate there is a mistake in the figures as given.

Q. Exhibit 11 is the sheet that was made up?—A. By this paper it was shown that the investment expenses in 1900 were \$1,200 and in 1901 they were \$12,000, and I was asked to explain the sudden increase. By reference to the certified copy of the report of December 31, 1901, schedule 3, being disbursements under the 16th division of schedule 3, there is a printed statement, all other items in detail, namely, and then there are lines here to introduce writing items. The first one here is investment, and the figures are given, \$12,000, in this certified copy. There are eight items which are footed \$420,878.90. Now, if you will take the seven items, excluding the investment expenses, which are laid down here item by item, and foot them, you will find they amount to \$419,678.90, and if you add \$1,200 to that, being the investment expenses of the preceding year, you will get the total that is carried into the schedule here of \$420,878.90,

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so that it is perfectly evident on the face of the return that it is a clerical error, probably in copying the report of the New York Insurance Department, of putting \$12,000 down instead of \$1,200.

By the Hon. Mr. Gibson :

Q. It adds up that way ?—A. Yes.

By Mr. Coster, K.C., Counsel for Committee :

Q. But it is \$12,000 in the report ?—A. Yes. I am not imputing any wrong intention to any one. It is evidently a clerical error in copying in the New York department.

By the Hon. Mr. Bêique :

Q. I understand that some time in 1898 the company invited the policy-holders to pay what they called uniform rates instead of paying current costs as they accrued ?—A. We had adopted level premium rates in writing our business, and we offered to the old policy-holders of the company to make an exchange if they desired.

Q. Was there a considerable number who responded to that invitation ?—A. My impression is that there were about 3,000 made the exchange.

Q. In Canada ?—A. No, there were comparatively few in Canada. I think that the exchanges in Canada amounted to about three-quarters of a million dollars, probably covering three or four hundred policies.

Q. Had the company any right to change the condition of a policy in that respect ?—A. With the assent or upon the request of the policy-holder, I think there is no doubt that, the two agreeing, had a right to make the change.

Q. But suppose the uniform payments were insufficient to meet the losses, where would you have taken the money from to cover the difference ?—A. So far as the business at that time in the United States was concerned, although the rate was the rate charged by the old line companies, we were compelled under our charter to insert in the policy a condition that in the event of the reserve becoming impaired, the policy-holder was liable to assessment to make good that reserve. We had the right to pay, if there was an excess of death losses, from the reserve fund, and if that failed, to assess the policy-holders to make good the impairment. That was necessary under the New York law. In Canada, in 1898, we included the same condition, because we were operating under the assessment law. We issued no policy in 1898, even in Canada or in the United States, that did not provide that in case the reserve became impaired the policy-holder was liable to assessment to make it good.

Q. But I am referring to the circulars which you issued to shareholders inviting them to change the mode of payments, and to pay by uniform payments, instead of paying as losses accrued, and it was held out to them, I believe, that their rates would not be increased if they accepted the latter plan ?—A. I misunderstood what you were referring to. You are referring to a circular that was issued where we offered to the policy-holders who were paying increasing rates, the right to take a commuted rate which should be uniform as far as the rate was concerned, instead of the increasing rate, but that was so shaped, both the rates and the agreement and the circular, that whenever we were obliged to increase from the rate laid down against the attained age, the policy-holder taking the commuted rate had also to pay an increased number of assessments on the original rate. That is, if there was a man who was paying an increasing rate, which was suppose six assessments a year, was called upon to pay on his increased liability, the policy-holder who took the commuted rate would have to pay seven on the commuted policy. We had no right under the Canadian law to limit the amount that could be collected.

Q. I find from a copy of correspondence exchanged between your company and Mr. John S. Hall—A. He is, I think, the only one in Canada who owns such a changed policy.

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Q. I find on May 25, 1898, he wrote you, 'I do not understand quite clearly, also that if the chartered articles of association provide for assessments, how these can be commuted. An answer to this will oblige.' Then you answered on May 31, 'In relation to the commuted rate, I have to say that no condition of the policy you now hold is changed save that by reason of the application to future profits in the directing of giving you as low a rate as possible, the contract application of surplus towards bonds is waived, and in view of the increasing rate towards the cost is payable by uniform rate.' This seemed to be holding out that your company had the power to fix the rate definitely at a uniform rate which could not be increased?—A. The rate could not be increased, but the number of assessments could be increased. There is a very great difference in that regard, because a premium and a rate are two very different things. The rate under all our policies is fixed for each age, but the law of Canada says that we shall levy as many of those assessments to pay our losses in full; so, whether the rate is a uniform rate throughout life, or a rate fixed year by year, by the actual age of the insured, the right must be retained to levy as many assessments, and the law of Canada compels us to as are necessary to pay the losses.

By the Hon. Mr. McMullen:

Q. The rate you mean is an annual rate—an annual sum?—A. No, the rate fixes the ratio of payments between members at different ages. That is, if there is \$100,000 to be raised to pay death losses, that \$100,000 is to be distributed among the members of different ages according to these rates. Now, if there is \$80,000 to be raised, that \$80,000 is to be distributed according to rates. If there is \$150,000 to be raised, that \$150,000 is to be distributed among the members of different ages according to the rates applying to their several ages, but the law compels us to issue a sufficient number of assessments to meet the losses.

By the Hon. Mr. Beique:

Q. On referring to another letter written by Mr. Hall, on the 23rd of November, 1898, I find the following:—

'Have the association power to commute, and where is the authority to be found? Is there any law in the State of New York or any other state requiring assessment companies to base their calls according to the age, &c., of the assured, and thus make an increasing rate?'

And you answer that letter on the 7th of December, 1898:—

'Referring to your favour of the 23rd ultimo, asking if the association has power to commute a rate, I beg to say that section 4, article 2, of the constitution and by-laws adopted by the members, provides that the corporate powers of the association shall be vested in the board of directors, who shall have power to adopt such rules and regulations as they deem necessary, not inconsistent with this constitution or by-laws, and to amend the same and to fix the amount and rate of assessment fees and dues. Section 8, article 11, of the constitution of by-laws also provides that the board of directors shall have authority to fix and determine the amount of benefits for which certificates of membership shall be issued, rates of assessments, admission fees, and annual dues. You will thus see that the authority of the association to fix this commuted rate is ample.' In reply to the question whether any law of the State of New York or any other state requires assessment companies to base their rates and calls on the age of the assured and thus make an increasing rate, I beg to say the laws of the several states leave it in the hands of the several corporations to fix the method by which the cost of insurance is to be paid by the members; with the provision, however, that the amount to be required of the member shall not be limited to a sum below the sum necessary to enable the corporation to meet all these claims at their maximum face value. In point of fact almost all associations, as in the case of the Mutual Reserve, offer contracts calling for the payment of the cost in differ-

ent ways, and therefore the method of paying the cost is a matter of contract and not of law. As, however, the cost itself is an increasing one, it is inevitable that there must be an increase in the price or in the number of assessments called, unless through an accumulated or uniform rate increased cost is met by uniform payments sufficient at the outset to provide an accumulation which in the latter years will take care of the cost in excess of direct payments made.'

Q. That is the explanation to which you referred, I suppose, in your previous answer?—A. Yes.

Q. But policy-holders have been complaining that they were given to expect that if they changed the plan and adopted uniform rates there would be no further assessment made on them?—A. I have had called to my attention at the most three complaints that that provision was misunderstood. Mr. Hall is one. Mr. Hall, I think, is the only policy-holder in Canada who made that exchange and holds his policy, and I think there was but one other exchange in Canada made excepting Mr. Hall's. When I testified that there was several millions changed, I had not this in mind, so I should want to correct my statement in that regard. There was not over \$1,000,000 changed, I think, on this basis. I know, as I say, but three complaints in regard to misunderstanding, that have come to my attention.

Q. Could you give us an idea of the difference between the rates on your assessment plan and what they would have been under the legal reserve plan?—A. The members that have been in the longest have paid upon the assessment plan somewhere between sixty and sixty-six and two-thirds per cent of the premiums that they would have paid upon non-participating level insurance issued at the same age.

Q. But the other members—that would not apply to other members?—A. There are some members probably that have paid down as low as I should suppose fifty per cent—that is the ten years distribution class of policy-holders who had practically a ten years renewal of insurance. At some of the ages it would reach about fifty per cent.

Q. Then it would vary between fifty and sixty-six per cent?—A. I should say that is a fair limit—not exact.

Q. In answer to a question which was put by me on the order paper of the Senate you furnished returns which I should like to have filed as Exhibit 12. The first question is the total amount of income during the year in Canada and in the United States separately for the whole period during which the association has been carrying on business in Canada, to wit, from 1885 to 1903 inclusive, and I find that the different amounts therein stated yearly sum up a total of \$5,038,518?—A. That is about the footing. There was an error—

Q. At the bottom of that page you have amounts of legal reserve from 1899 to 1902?—A. That is from the 11th August, 1899. We began on the 11th August.

Q. Is that exclusive of the amounts appearing above?—A. Yes, exclusive of the amounts as to Canada. Of course it is not included in the United States at all.

Q. This legal reserve applies to Canada only?—A. Only to Canada.

Q. Then on the next sheet you have an answer to the following question:—'The total amount paid during the year to policy-holders in Canada and in the United States separately.' For the same period, the nineteen years, is it?—A. Yes.

Q. From 1885 to 1903, inclusive, you give a total of \$3,060,029?—A. I presume that is correct.

Q. As having been paid to policy-holders in Canada?—A. Yes.

Q. Are these amounts correct?—A. There may be a variation of a dollar or two here and there, but otherwise it is correct.

Q. Substantially, it is correct?—A. Substantially, it is correct.

Q. Have these amounts been paid in cash to the policy-holders?—A. Yes.

Q. And the return to the first question is also correct?—A. It is. I desire to make one statement in regard to the income in Canada. That includes membership fees paid under the old system, and medical examination fees. Under the earlier

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system of the company when the policy was issued there was a membership fee paid. The first payment was a membership fee which almost invariably, in my time invariably, went to the agent. In the department returns of Canada they required those membership fees, so far as it was possible to compute them, to be returned as income and be placed in the disbursements, and these statements of income in Canada include these. In the early history of the company also, the company did not pay the medical examination fee, but it was paid by the applicant; but the Canadian department required a return of an estimated amount paid by the applicant for medical examination fees and required that estimated amount to be carried into income and into disbursements also, so that it appeared on both sides of the account. While it was not money that passed through the hands of the company, it was treated by the Canadian department as income and out-go.

Q. Then, if the company was charged with those items, such as medical fees and membership fees, the company must have been credited?—A. Yes, the department required them to appear on both sides of the account. It made no difference in the balance.

Q. It would appear in the item of expenses?—A. In the item of expenses—the item of income and expenses.

Q. Of salaries, I suppose, to agents?—A. Commissions to agents and medical fees paid.

Q. At the foot of the second return you have also figures applying to the legal reserve?—A. Yes.

Q. How did this legal reserve come to be paid? It was amounts that were taken out of the legal reserve to pay death claims?—A. To pay death claims, surrender values, &c.

Q. Let us take the next item: the total amount paid out during the year for general or other expenses in Canada or in the United States separately; giving separately amount of salaries paid to officers and home office employees, again covering the same period, and which I find total the sum of \$999,865 in Canada?—A. Applying to the assessment business.

Q. These figures are correct?—A. Yes.

Q. And they cover all the general or other expenses of the company in Canada?—A. Yes.

Q. For that period?—A. Yes.

Q. It would include those membership fees?—A. Yes, those membership fees and medical examination.

Q. I see at the foot of this return you have also several items applying to legal reserve?—A. Those are the expenses in connection with the legal reserve business during those years.

Q. What kind of expenses were paid out of the legal reserve?—A. It does not mean out of the legal reserve, but it means the business done on the legal reserve basis. From August 11, 1899, all business in Canada from that date is counted as legal reserve, that is, it is subject to the legal reserve law.

Q. This is a return giving the amounts paid during each of those years for general or other expenses?—A. Yes.

Q. And what I should like to understand is how these amounts appear as having been paid out of the legal reserve?—A. That legal reserve does not mean the reserve of the company, it means the business done on the legal reserve basis.

Q. If I understand correctly, it means that apart from the \$999,865 expenses chargeable to the assessment business, there are further amounts of expenses which were chargeable to the legal reserve business?—A. Yes.

Q. Then the next page gives the amount of salaries at the home office which are included in the expenses on the previous sheet?—A. Yes.

Q. What proportion of those salaries of the home office was charged to the Canadian business?—A. There was no specific proportion of them charged to the Canadian business.

Q. Under what principle was it dealt with?—A. It was paid as general home office expenses.

Q. You gave, in the third return the amount of general or other expenses in Canada, and it is supposed to be the full amount, and therefore it must include the proportion of home office salaries chargeable to that Canadian business?—A. Let me explain. The third statement contains simply the expenditures made in Canada, and does not include any portion of the general home office business, but simply moneys that were spent in Canada, with Canadian people in conducting business here in Canada.

Q. And you did not charge the Canadian business with any proportion?—A. We made no specific charge against any proportion in the office.

Q. Of the salaries outside of Canada?—A. No.

Q. I notice that in this return giving the salaries at the home office, the salaries of officers show a considerable increase from 1893, when it was \$79,636.30, and in 1894 when it was \$141,296.99. Could you give us any explanation as to the cause of that sudden increase?—A. I cannot. In 1893 I was not connected with the company at all. I went there in 1894, and I may say in explanation of this, that undoubtedly the division between officers and employees which was required by the New York blank was somewhat arbitrarily made. Sometimes it was a question who were included in offices, and there were times when there were a good many that might be officers and the positions not afterwards filled. In my opinion, a much juster basis of getting at the question of official salaries would be to designate certain ones as officers, president, vice-president, treasurer, secretary, assistant secretary, counsel, medical director—whoever were designated to take those offices year after year—and get the aggregate. It would be a much juster basis.

Q. That is an assumption on your part?—A. Yes, an assumption on my part.

Q. And it does not seem to be very substantial, because I call your attention to the column of the salaries of employees, where the same thing applies. In 1893, the amount was \$80,542.40, whereas in 1894 it had risen to \$199,647.10, and in 1895 to \$225,619.40, and as a matter of fact it went on increasing for three or four years?—A. As far as 1893 and 1894 are concerned, not being connected with the company in 1893, and only going there in 1894, I have not investigated that increase and shall be unable to testify.

Q. But in a general way we would expect you would be able to account at least for that very large increase from what it was during the years previous to 1895, when you became connected with the company—the difference between that year and subsequent years?—A. Well, I am free to admit that I never looked into the matter of that increase—never had my attention called to the large increase between 1893 and 1894. I am perfectly willing to submit to the Committee a statement.

By the Chairman :

Q. How can you do that after you have declined to state the salaries of the officers?—A. I am only declining to state the individual salaries of the officers.

Q. How can the Committee verify it if you do not state the individual salaries? How can the Committee accept the statement as a whole?—A. I am perfectly willing to submit a statement.

By the Hon. Mr. Béique :

Q. We have the total income in Canada for that period of time represented as being \$5,038,518, and the amount paid to policy-holders in Canada \$3,060,029, and the amount paid for expenses in Canada. \$999,865, making a total of \$4,059,894 to be deducted from the total amount of income, leaving a balance of \$978,624. What became of this amount of Canadian money? How was it applied apart from the portion of it which may be in the reserve?—A. There is \$244,000 representing moneys invested for deposit in Canada on assessment account, the moneys in Canada at the
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end of 1903, and the balance is the contribution of the Canadian business to the general expenses of the company and towards meeting any general death losses of the company.

Q. That would leave a balance of \$724,400?—A. Yes, of which about \$624,000 would be premiums of policy-holders and about \$100,000 from interest on investments.

Q. Does not that look rather a large amount diverted from the Canadian policy-holders?—A. It amounts to about \$2 to about every \$1,000 of risk that has been carried for an average term of one year.

Q. That would be a contribution to general expenses?—A. General expenses of the home office, and to any share in the general death loss if it was larger at any time than the death loss of the Canadian department.

Q. We have only the difference between what was paid to the policy-holders and for expenses in Canada, and the amount which was received from the Canadian business, so that there would be that element that you mentioned?—A. Certainly the Canadian business, if the general death loss of the company on its business was for a time less than the Canadian, would be entitled to contribute its proportion of that excess on the basis of the entire death loss. If subsequently the death loss in the Canadian department became greater than it was in the general department, the reversal of the case would be the fact. Now, take for instance in the year 1901, as indicating what has come in connection with that Canadian business; of every \$100 that was received from premiums on the Canadian assessment business we paid \$103 in death losses. Take in the last three years of every \$100, we have paid over \$77 in death losses. The time has got to come very quickly when the death losses will undoubtedly consume more than the premiums received in Canada. When that time comes, if we could not increase the Canadian assessments above the general assessments of the policy-holders, the general policy-holders would have to make good the deficiency. While we make separate accounts as required by the department, we consider the Canadian business a part of the whole business of the company entitled to the protection of all the assets and all the business of the company, and of course to bear its burden with the other business.

Q. During later years, 1902 and 1903, had you many agents in Canada?—A. —We had not a great many agents in Canada. We were not pushing business vigorously.

Q. How many had you?—A. I should say, a half a dozen probably.

Q. The expenses for 1902 are over \$18,000, and that is exclusive of the legal reserve business?—A. Yes, certainly.

Q. You were not doing an assessment business at that time?—A. We were collecting premiums.

Q. And on what condition were you collecting premiums? You had agents for that; you had agents merely on commission, I suppose?—A. We maintain an office in Montreal, one in Quebec, and one in Toronto, and we have collectors in the Maritime Provinces.

Q. But those offices in Montreal and the other cities you have mentioned were for legal reserve business, I understand?—A. The agents were for the legal reserve business, but the collectors there are mainly for the assessment business.

Q. Were not the collectors paid by commission?—A. Yes.

Q. For the assessment part of the business?—A. Yes.

Q. What was the rate of the commission?—A. The commission varies from two and one-half to five per cent for collection.

By the Hon. Mr. McMullen :

Q. What is the name of the collection agent in Toronto?—A. Mr. Harvey.

Q. Have you an agent in Toronto? Is Mr. Harvey the only agent you have in Toronto?—A. He is our only agent at the present time.

Q. Your central agent?—A. Mr. Harvey is our chief agent under the law.

By Hon. Mr. Béique :

Q. That rate of commission would hardly justify the payment of the \$18,000 for 1902?—A. There is two per cent taxes, you must recollect.

By the Hon. Mr. McSweeney :

Q. Through all the provinces?—A. Practically now.

By the Hon. Mr. Béique :

Q. On the amount collected?—A. Yes, on the amount collected. There is \$268,000 collected in 1902, and the expense was practically \$18,000; that is less than seven per cent. There was \$268,000 collected in assessment premiums in Canada, and the expenses in Canada were \$18,000. Now we pay two per cent for taxes, leaving five per cent for collections and all other expenses that there might be in Canada on that business.

By the Hon. Mr. Domville :

Q. You paid no two per cent in New Brunswick?—A. I do not testify that we paid it in all the provinces, but where we have the great bulk of our business we do. We have comparatively little business in the Maritime Provinces. The great bulk of our premiums is in Ontario and Quebec, and the returns to the department will show that it is close to two per cent, but I am willing, to make it safe, to say one and three-quarters, or one and one-half per cent; you have then only a little over five per cent as the expenses of collection.

By the Hon. Mr. Béique :

Q. Let us take the fourth return—the amount appearing at the credit of the reserve fund at the end of the year for the years mentioned. These amounts are correct, I suppose?—A. Yes.

Q. They represent the reserve to which you referred as being mainly covered by lien?—A. No, this is the surplus of the reserve fund of the assessment business, and this in essence represents cash or investment.

Q. But as far as cash is concerned, it is mainly covered by liens on policy?—A. No, this does not represent liens on policy at all.

Q. This reserve applies exclusively to the Canadian business?—A. Oh, no; this is the surplus reserve fund of the association.

Q. So there cannot be any division made of these items between the Canadian and the United States business?—A. Excepting you take in the deposit matter on the next page.

Q. Then the next page gives the total amount on deposit with the Canadian Government at the end of the year, the cost, the par value, and the accepted value, with separate amounts applying to the legal reserve?—A. Yes, separate deposits for the legal reserve.

Q. These amounts are correct?—A. Yes.

By the Hon. Mr. Landry :

Q. What is the percentage of the deposit in Canada?—A. To the premiums collected in Canada?

Q. What is the proportion of the deposit to the premiums?—A. To the gross premiums, including expenses, it is about five per cent, that is on the assessment. The deposit here, I would explain, is the deposit as far as the legal reserve is concerned at the end of 1903. It does not include the \$40,000 deposited since the 1st January, 1904.

By the Hon. Mr. Beique :

Q. Then you have on the next page the total amount of assets of the company at the end of the year, and what portion thereof in Canada, distinguishing as far as

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possible in all the above, between policies issued previous to, and subsequent to the 11th August, 1899, and between the business resulting from policies issued under the assessment plan and level premium policies. You take the first column, assets other than policy-holders' premium obligations. You take the first year \$590,623 as assets in Canada?—A. The first column is the total assets of the company.

Q. The Canadian business is in the third column?—A. Yes, and that includes both assessment and legal reserve, and on the next page there is the division between the assessment and legal reserve.

Q. You take that third column where you find the amount of assets other than policy-holders' premium obligations in Canada, \$50,000, and you have as income for that year in Canada \$42,616 only; how do you account for the difference?—A. Before we received our license in Canada in 1885 we had to bring \$50,000 from the United States and deposit here with the Minister before receiving a license.

Q. Then you take the item applying to 1903, \$398,678 of assets in Canada; how is this amount made up apart from the reserve, both legal and assessment, which amounts to about \$234,000; how is the difference made up?—A. A portion of it was money in the banks in Canada.

Q. How much?—A. I do not remember.

Q. About how much?—A. I do not recollect now. The synopsis of the department gives the items. I thought I had it here, but I have not. I possibly may be able to make it up.

Q. I find that the difference is \$164,748?—A. The cost value of the deposit is \$236,821.

Q. I take the deposit in Canada \$218,938 applicable to the assessment business—I take the accepted value?—A. That accepted value has been revised by the Treasury Board since the 1st of January, so it did not appear as that on the 1st January.

Q. At all events it would make only a small difference?—A. I should say that there is about \$80,000 which are notes and certificates of lien or loan by the legal reserve policy-holders which is counted by the department under the law as part of the reserve, and that there was somewhere about \$40,000 to \$50,000 of deposits in bank, but that may be larger than that.

Q. Could you give us a memorandum accounting for it?—A. I will refer to the report after the meeting is over and give a memorandum. It is made up of cash loans and premium obligations. That does not count deferred premiums, \$84,576.63; stocks, bonds and debentures, \$260,381.53, cash on hand, in books or deposited with the government, \$51,780.30, interest and rent due and accrued, \$1,939.61. I think that will make \$398,678. Then outstanding and deferred premiums, which you will find on the last column, \$44,480, make a total of \$443,158.

By the Hon. Mr. McSweeney :

Q. Did they make some change in the valuation?—A. The department made some change.

Q. Reducing it how much?—A. It is about \$10,000 that they have reduced the valuation.

By the Hon. Mr. Béique :

Q. Turn to the last page of those returns; the two first columns are the assessment business in Canada?—A. Yes.

Q. What is the difference between the two first columns?—A. Take it on the last page, the aggregate of the two columns, head one is the amount given in the third column on the preceding page, and the aggregate of the columns, head two, the amount given in the last column on the preceding page.

Q. \$44,480?—A. Yes.

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Q. Since 1899 the company has carried on business in Canada only on the legal reserve basis?—A. Yes.

Q. All the rest under the Insurance Act, are fully protected by the deposits?—A. Yes, the deposit covers the reserve over and above the obligations of the policy-holders.

Q. And therefore whatever may happen to the company those risks could at all times be re-insured with the amount of the deposit?—A. Undoubtedly.

Q. Now let us treat those policy-holders as, say class No. 1 of the policy-holders of the company, and treat the other policy-holders, those remaining under the assessment plan as policy-holders No. 2. The Bill which is now before the Senate contains provisions to take care of those policy-holders, which are by means of options which would enable them to transfer their policies from the assessment plan to the legal reserve plan. What objection would you see to means being devised to take care of the policy-holders whose policies have lapsed from the time the assessments became prohibitive in their nature, and making a third class of them, charging their policies with the proper amount as representing the value they received from the fact that they were insured and imposing upon them the obligation of furnishing a medical certificate before the policy is revived?—A. I see no objection to it at all, none whatever.

Q. You think that a plan could be devised—

Hon. Mr. LANDRY.—I submit that our reference does not cover this.

Hon. Mr. BÉRIQUE.—For three or four days we have been wandering entirely outside the scope of the investigation, and is not my question within the scope of the investigation. The reference is to inquire into the position of the company in Canada. Does that not involve the position of the company towards policy-holders, whose policies have been allowed to lapse, because the assessments from the nature of the plan on which the business has been carried on by the company has become prohibitive.

Hon. Mr. LANDRY.—A proposition was made in the House to put the Bill which is now before the Committee on Banking and Commerce before us, but it was not done. We are here to investigate, not to find a means of coming to the aid of the policy-holders. The Committee on Banking and Commerce will do that.

Hon. Mr. BÉRIQUE.—I fail to see any objection to placing on record the necessary facts to enable the Senate when it deals finally with the Bill, to see whether the report of the other committee fully covers the remedy which might be applied.

The CHAIRMAN.—If the Banking and Commerce Committee have no right to secure this information, then it would be the duty of this committee to furnish it.

By the Hon. Mr. Bélique :

Q. Do you think a plan could be devised which would be fair to the three different classes of policy-holders to which I have referred?—A. I see no reason why it could not be done. I should be very glad to see it done.

By the Hon. Mr. Robertson :

Q. Do I understand by that that those policies which have lapsed where the policy-holders have ceased to pay their premiums would be revived?—A. A plan, as I understand the senator, by which they can be given the opportunity of restoring their policies in force upon a fair basis to the other policy-holders of the company who have maintained their payments and themselves.

By the Chairman :

Q. Would these policy-holders whose policies have lapsed, and which would be revived under this plan, have any advantage from remaining in the company from

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over re-insurance in another company?—A. Whether a plan could be devised which would give them an advantage in that regard would be to a considerable extent a matter of individual opinion, but I think an opportunity could be offered to them that would be of some advantage to them over the taking of new insurance. I am only speaking in general terms and not in any specific details, but I think something of that kind could be done.

By the Hon. Mr. Robertson :

Q. Those policy-holders whose policies have lapsed and who wish to renew them would have to undergo a medical examination, and if they could not stand the examination of course they would be knocked out?—A. On general principles, yes, but I should be disposed in all such cases to take the basis of sub-standard or impaired risks which of late years has become quite an extensive business, and a great deal of experience in connection with it has been gained, and in all those cases, I should be disposed to offer them an opportunity to reinstate on as fair terms as could possibly be given as regards the other members, under some sub-standard or impaired risk basis.

Q. Even supposing the medical examination was not satisfactory?—A. Even though the medical examination was not satisfactory.

Q. You would be disposed to treat with them on the basis of what they had paid in former years?—A. I should be very glad indeed to treat with them on that basis.

By the Chairman :

Q. That would be a matter of discretion for the company. Take a man of seventy years who dropped his policy at the age of sixty-five and was sickly; you would not take him into the company?—A. If the man was moribund I would not. We should have to consider the interest of the mass of policy-holders against the individual.

By the Hon. Mr. Robertson :

Q. Supposing a man had died, leaving a widow, who had not been able to keep up the assessments to the time of his death, would she receive any consideration?—A. I do not see how it would be possible to give it.

By the Hon. Mr. Landry :

Q. You accept those who abandon the assessment plan to-day to go into the legal reserve?—A. Yes.

Q. Is not that doing injustice to the mass of the policy-holders?—A. In that we place in the legal reserve basis—

Q. Men that would share no more in the assessment?—A. You ask are we doing injustice to the assessment policy-holders.

Q. To the mass?—A. If we were treating the Canadian policy-holders as a class, they must ultimately pay their own death losses without the benefit of the general mass of the company, but it is only the reserve policy-holders in Canada who are isolated by the Canadian law. As far as the assessment policy-holders in Canada are concerned, they are part of the entire company. They have the protection of all the assets wherever they are, and they will never be charged any more for their insurance than the same policy-holders would be charged in the United States for theirs.

Q. But in all cases the death calls would be increased by the amount represented by those people who have changed classes?—A. Those people who have changed classes have not only withdrawn their payments but they have withdrawn their liability to death loss, and it is supposed that one advantage will compensate the other.

By the Chairman :

Q. But you suppose the young go into the legal reserve and leave the old in the assessment plan?—A. As far as the law stands to-day, where they make that change in

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Canada they cease to be as Canadian policy-holders, liable for, any indebtedness or for the losses of the assessment risks, but as far as the business in the United States and foreign countries is concerned, the fact that they are in the assessment branch or in the legal reserve branch makes no difference as to the liability of all members for the payment of death losses.

Q. But does not the advantage lie with the young who are insured?—A. I think so.

Q. Then, if they go into the legal reserve and leave all the old policy-holders under the assessment plan?—A. Still going into the legal reserve they do not escape the obligation to pay for the assessments.

Q. But it leaves the old people there?—A. It leaves the old people there, but it does not burden them with any higher assessments.

By the Hon. Mr. McMullen:

Q. How long is it since your legal reserve branch was established?—A. The first business of the legal reserve branch was done in 1899 under the Canadian law. In 1900 we obtained legislation in Massachusetts.

Q. All those that are taken into the legal reserve branch as new applicants for insurance are subjected to a medical examination, are they not?—A. No, they are not.

Q. I mean where the parties apply for insurance in the first place?—A. Oh, certainly.

Q. They are all subjected to the medical examination?—A. Yes.

Q. Where those that have been in your company since 1885, 1886, or 1887 on the assessment plan are taken into the legal reserve, at the time of their so being taken in, are they subject to a medical examination?—A. No.

Q. How do you reconcile that?—A. Those that have gone in within two years are subjected to a medical examination. They go in under a doctor's certificate that they are proper subjects for insurance. Those that have been in for fifteen years and may have contracted diseases and are unable to pass medical examination are taken in in the same way.

Q. It is simply because they have been subject to the assessment portion of your business before—is that it?—A. It is.

By the Hon. Mr. Domville:

Q. You say that they are not subject to medical examination?—A. If a member of the assessment class wishes to change to the legal reserve plan, we do not subject him to a medical examination.

Q. That is to say, you take him without knowing whether his life is good, bad or indifferent?—A. Certainly.

Q. Did not the company issue a circular to all assessment policy-holders to make them sign a guarantee as to their health? Did not the policy-holders in Canada receive a printed sheet telling them that if they wished to renew under the new system they could do so, but they must sign a guarantee that their health was as good as before?—A. I judge that the senator refers to the circulars sent out to lapsed policy-holders offering to permit them to reinstate their policies. We offered to do it on a certificate of health from them.

By the Hon. Mr. Landry:

Q. It is generally done?—A. Yes.

Q. That is in the case of lapsed policies?—A. In the case of lapsed of policies.

By the Hon. Mr. Watson:

Q. You stated in answer to Mr. McMullen that you would transfer policy-holders under the assessment plan without medical examination. Is there any accumulated

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fund by which the newly insured would secure any benefits from the person who had been taken in to make up for the difference in the death risk?—A. There is only a nominal amount. We do not consider, as far as the company is concerned, excepting in just this little batch of business here in Canada that there is any assessment business or legal reserve business, excepting as the terms of their contract for the collection of their costs. Under the law we were re-incorporated in New York, and the assessment policy-holders just as much members of the legal reserve company as the new ones are, and the assessment policy-holders are in exactly the same position as regards new business now being admitted as policy-holders admitted in the Canada Life fifty years ago are in regard to business admitted to-day. That business admitted to-day is obligated for the old business of the company, just as the business admitted into the Canada Life to-day is obligated for the old business of the Canada Life. It is one business, and when we come to give legal reserve policies instead of assessment policies, we are simply changing a man's contract by agreement, but not increasing the obligation, because we continue the obligation to pay the death loss, and he changes his policy.

Q. Are you not lessening his obligation?—A. I think not.

By the Hon. Mr. Béique:

Q. It may be, the fact that you re-incorporated, as you have said in 1902, had the effect of improving the position of those policy-holders under the assessment plan?—A. If by re-incorporating we had shut those assessment policy-holders in a class by themselves, we certainly should have lessened their security and chances in the future. We simply added rights that we had not possessed before. We could to-day, under the New York law, issue assessment policies.

Q. As I understand, under the United States law the policy-holders under the assessment plan take part in all benefits which may be derived from all sources of revenue of the company whether from the assessment plan or the legal reserve business?—A. They do.

Q. Therefore there is a continuation of business for all classes of insured in the states?—A. Yes.

Q. But in Canada it is different. There is a separation made as between the legal reserve business and the assessment plan business and from the fact that you are not carrying any more business on the assessment plan, it very much impairs the position of the assessment policy-holders?—A. It would impair it in the strict interpretation of the law, undoubtedly.

By the Hon. Mr. McMullen:

Q. I was asking you with regard to your agent in Toronto; do you know Mr. Thomas Merritt, of Toronto—Is he an agent of yours?—A. I do not know the name.

Q. Where is your office in Toronto?—A. In the Freehold Life building.

Q. Here is a notice that I cut out of the paper:—

'The Mutual Life Insurance Company of New York, assets over \$400,000,000, has openings for active agents in the following counties, Wellington, Grey, Bruce, Haldimand, Norfolk, and Elgin. Apply to Thomas Merritt, manager, 31 Bank of Commerce building, Toronto.'

Q. Does that refer to your company?—A. No, that refers to the Mutual Life of New York. Ours is the Mutual Reserve Life.

By the Hon. Mr. McSweeney:

Q. I see in an abstract of life insurance in Canada for 1903 the Mutual Reserve Life has a net amount of insurance in force of \$9,342,520, and net amount of policies becoming claims \$231,777, and \$174,311 of claims including matured endowments. You have unsettled claims to the amount of \$86,650; do you not think that is a large amount?—A. There was a very heavy death loss in Canada the last sixty days of last

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year, leaving an unusual amount outstanding at the end of the year. The losses have long before this been paid.

Q. At that very time, the Mutual Life of New York had only \$21,574 of unsettled claims in Canada and they do a business of \$29,410,186, more than three times as much as you have, and you have four times as many unsettled claims?—A. The company never has claimed, and no assessment company can claim, that it is able to pay the death losses with the promptness that a legal reserve company can. The legal reserve company collects its premiums in advance, and has the money in hand with which to meet its losses and can meet them in a prompt manner. While their contracts call for sixty or ninety days, as a matter of advertising they often settle their losses within twenty-four hours, and I have known them to telegraph the money, \$100,000, for the purpose of advertising. An assessment company—the bulk of business that was done by this assessment company—requires assessments to be made for approved claims to be paid. And they cannot be made until a claim exists and the proved claim is there. It is inevitable, under such a system, that there should be a much longer time than under the advance payment system of premiums.

Q. In 1902, I see you had only \$51,686 of unsettled claims. I think you stated a while ago that you paid out to policy holders in Canada \$1.03 for every dollar you got in—is that the case?—A. In the year 1901, we paid \$103 death losses for every hundred dollars' premium received in Canada.

Q. How is it for 1903?—A. In 1903, our death losses were comparatively light—this is on the assessment plan, not including the legal reserve. I was testifying with regard to the assessments. In 1901, we collected in assessment premiums \$271,870 in Canada, and we paid \$279,935 in death losses on the assessment plan.

By the Hon. Mr. Watson :

Q. Was that actually paid?—A. Yes, actual payments. In 1902 the death losses paid were light. We collected \$268,192 and we paid \$151,959.

By the Hon. Mr. McSweeney :

Q. You had a good profit that year?—A. Not necessarily profit.

Q. You got more than you paid out?—A. Yes, but we had other payments to make afterwards. In 1903, there was \$200,334 collected and we paid \$139,395, but, as I stated, there was a very heavy death loss at the end of the year, so that there was a very considerable increase that had to be taken care of out of that money, and was taken care of, during the first part of 1904.

Q. In 1903 there was \$71,228.81?—A. That includes the legal reserve as well as the other, and immediately after the first of the year, we had to deposit \$40,000 of that with the Canadian Government.

Q. For the protection of the policy holders?—A. Yes.

Q. What were the assets of the Provincial Provident Aid Association of St. Thomas at the time you took it over?—A. There was turned over to us nominally, as I recollect, about \$90,000.

Q. Nominally?—A. Yes.

Q. Some of that was cash, I suppose?—A. Oh, yes. The securities were fairly good, with the exception of \$10,000 of the Canada Coal and Railway Company, I think it is, which has never been of any value to us, and some farm property that the Provincial Provident had taken on foreclosure, on which there was some loss. There probably was realized somewhere about \$75,000.

Q. You did not get the cash reserve?—A. We got all their assets.

Q. Including the cash reserve?—A. Yes, some of the expense moneys they had.

By the Hon. Mr. McMullen :

Q. How much money have you deposited with the Dominion Government?—A. We have deposited on assessment account securities that have cost \$236,821; the

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Government, on a recent valuation, have valued those at \$218,938, marking off on some province of Quebec bonds, I think. We have for legal reserve what has cost \$25,962, which the government has recently valued at \$23,984, and then we have under a trust deed approved by the government, \$55,000.

Q. Under the Bill that you now have before parliament you purpose setting aside \$150,000 of that towards making up the necessary reserve, in order to enable you to go on and do business. What is the reason you appropriate only \$150,000, and not the \$228,000?—A. The Bill, properly speaking, is not my Bill.

Q. That is the proposition in the Bill?—A. As for that division, I did not insert it. My own opinion is, if I was asked on that point, that there should be no division of any kind, but that that fund should be held there as a security to guarantee the transfer of this business, and the integrity of the obligations, on the low basis on which the premiums are fixed by the Bill.

Q. There must certainly have been some authority for it. Of course, the less you appropriate up to the sum that is now in the hands of the government, the more has to be the levy or assessment upon each policy to make up the necessary reserve?—A. Certainly.

Q. In that case, if the \$228,000 appropriately belongs to the assessment business you have been doing in Canada, when you change it it ought to be applicable towards providing a reserve to enable you to go on, and by striking out \$75,000 of it, you simply add to the amount chargeable against the policies to enable you to go on, and get your license?—A. We have our license, and of course out of that fund any accumulated death losses not assessed for at the time the change is made, would necessarily have to be paid. I do not mean by that it will be withdrawn from the government, but provided for, and it will still remain with the government as security. You are asking me a matter of opinion. My own opinion is, that the security of that fund for the guarantee of the future business, is of far more value to the policy-holders than the slight participation they would get by an immediate division, and I do not know of any company that divides its surplus up to the last cent and attempts to do business.

Q. This is virtually money that must have been collected by the assessments from the policy-holders, and that you have deposited with the government of Canada as a reserve?—A. There is no requirement of holding a reserve under the Dominion law; it is simply a deposit, but all surplus must be accumulated from the payments of the policy-holders in any event.

Q. That surplus is accumulated by the policy-holders?—A. Certainly.

Q. The question is, why should it not be applied?—A. It is far better to allow it to remain with the government as guarantee for payment of claims generally than the slight advantage of about twenty dollars would be. That is simply an opinion. That is all.

By the Hon. Mr. Wilson :

Q. I think you stated you had only a certain number of agents—six I believe—to do the collection in the province of Ontario?—A. I was testifying as to any agents we had at work doing business, but not collections.

Q. You have agents for collection, outside of doing business?—A. We have collection agents scattered all through the Dominion.

Q. In taking over the P. P. I. Insurance, you had a certain amount of certificates from the P. P. I.?—A. Yes.

Q. Amounting to how much?—A. About twelve million dollars.

Q. And which you agreed, providing they fulfilled their contract with you, that you would allot to them \$100,000—was that it?—A. No, we received the trust funds of the P. P. I. charged with a trust.

Q. Twelve million dollars?—A. We received about twelve millions of business.

Q. For that business what did you agree to do?—A. We agreed to carry it in consideration—

Q. That is not my question; what did you agree to give them provided they carried out their obligation to you?—A. We agreed to carry out the obligations created by the policies.

Q. What did you give the board, or the directors, on business that they had established and handed over to you and worked up to that point—what did you agree to give them?—A. We entered into a contract which, as I stated, is printed in a blue-book of the department.

Q. But that is not an answer to my question?—A. I am answering it as clearly as I possibly can.

Q. I should like to have it clearer, if you possibly can. What did you agree to give them provided they fulfilled their portion of the contract? That is a plain question?

Mr. AYLESWORTH, K.C.—That is interpreting the contract, which is a difficult thing to do.

Q. I am wanting to know if they agreed to do a certain thing, have they fulfilled their contract?—A. I understood the Doctor's first question to relate to members of the Provincial Provident, and now I understand that he is speaking of the Trustees.

Q. The Trustees, with a certain number of men united, formed themselves into an organization, and ultimately became chartered under the Ontario Act and carried on business. They were elected trustees doing business there, consisting, I think, of four or five members. Their solicitor, the late Colin McDougall—I think you remember him?—A. I knew him very well.

Q. The Doctor, Mr. McLardy, and several others, went to New York and there negotiated an agreement with you, that they would do a certain thing, and you would give them a certain amount; now I want to know the amount, that is all?—A. I regret that in answering the question I shall have to take exception to some of Dr. Wilson's statements.

Q. Well, make it clear—I am perfectly willing?—A. The Provincial Provident was not an institution made up of half-a-dozen members; it was a company or membership organization made up of several thousand members, and the trustees were simply the trustees by those members elected to hold their funds. The contract of re-insurance was negotiated with the trustees, and they agreed in that contract to pay for the business that was transferred to the Mutual Reserve the regular membership fees that the Mutual Reserve would require on new business and the expense dues that they would require on new business.

Q. What about the other business? They handed over to you a certain amount of old business, and as far as your explanation that they were elected, I know that they were elected, I know that they were appointed, I know that they were reappointed as trustees, and issued their certificates to the members, and the members had a right to vote. They were each and every year elected to that position?—A. Those men were not the company and did not own the company.

Q. What did you agree to give them for the old business up to the time they transferred to you?—A. That is what I am trying to state; they had about \$12,000,000 business in force, and under the contract they agreed to pay to the Mutual Reserve the membership fees on that \$12,000,000 of business exactly the same as if it had been new business, and also the expense dues sixty days after, exactly the same as if it had been new business.

Q. Did they do it?—A. They did not.

Q. Was it upon what they would do in the future that you agreed to give them a certain amount?—A. It was.

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Q. Did you agree to give them a certain amount of what they brought to you, business up to that date?—A. We agreed to give them a certain amount based upon their first making those payments I have just named.

Q. But you tell me that you did not agree that they should have any consideration at all for the business that had been handed over to you after a certain number of years of organization; irrespective of any future carrying out these men could not agree to carry out this agreement with you?—A. They did agree to.

Q. As they were not sure to be re-elected?—A. They did agree to it, I do not know whether they could or not.

Q. You think it was a reasonable agreement?—A. My impression is that they had no right to enter into such an agreement.

Q. You entered into the contract and agreed to pay them a certain amount and did not do it?—A. I agreed to pay a certain amount conditioned upon their doing certain things. They said they would do certain things. I do not believe they could, and they could not do it.

Q. What could they not do?—A. They could not pay us the money they agreed to pay.

Q. Were the death assessments not paid to you?—A. Yes.

Q. Had you not an agent there carrying on the business? Had you not an office there, carrying on the business afterwards?—A. We had.

Q. And you had the benefit of that office and the benefit of the furniture and everything?—A. We paid for it.

Q. They transferred those things to you, and what did you give them?—A. The business of the company was transferred to us. They do not own the business of the company.

Q. Had they not established the business of the company, and did you not recognise a certain monetary price in the business they had worked up?—A. They owned the business of the company no more than I own the business of the Mutual Reserve, and I could not sell one dollar of it and put a dollar in my pocket for doing it.

Q. If you and your company made an agreement with another company to transfer all you have in this, and all the value there is in it, and you said: 'We will transfer this for a consideration' you transfer the business and you expect the other company after the business is transferred up to a certain date to look after and see that the payments are made; so it was with the P. P. I. when the transfer was made to you, and now you tell me there was no value in the transfer. If there was no value, you misled them, because you made them believe there was a transfer?—A. I was dealing with about nine of the sharpest men I ever met in Canada, and if I misled them, I feel prouder of the situation than I ever did before.

Hon. Mr. McMULLEN.—It was diamond cut diamond, when you met them.

By the Hon. Mr. Wilson:

Q. You thought you were meeting with very sharp men and made a sharp bargain ultimately, deceived those sharp men, and did not give them the value?—A. No sir, I deny it absolutely.

Q. According to your statement?—A. No. You state that I deceived those men. I say that if I deceived nine business men like those, I do not think it needs the Parliament of Canada to protect them. You just asked me a suppositious case that if I as an officer of the Mutual Reserve agreed for another company to take it, on a consideration paid to me, if I expect to receive that consideration, I wish to say that the moment that consideration reached me, the State of York would take a hand in the matter, and take possession of that consideration, and very likely put me in the State prison.

Q. Did you tell nine of the sharpest men that you ever met in Canada that you could not do this? Did you explain to them that if you did this you would be behind

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the bars, where you ought to be?—A. If they had carried out the agreement, which they made, and paid to us from any source other than trust funds of their membership the amounts they agreed to pay, and which was a preliminary of their receiving anything, we had a contract that was perfectly legal and we had a perfect right to carry it out, and we should have carried it out; but when it came to their fulfilling what they had agreed to do, they tendered to us trust funds belonging to their membership and not to themselves, and we refused to receive them.

Q. And then you agreed to give them \$100,000. To whom was that \$100,000 to be paid?—A. Whatever the amount was—

Q. You said it was about \$100,000?—A. I said it would probably approximate \$100,000. Dr. McLarty, I think Mr. Morton and probably Mr. Baird, were the trustees to whom that money was to be paid.

Q. And what was the money and appropriation to be for?—A. I do not know.

By the Hon. Mr. Watson:

Q. For the policy-holders?—A. Oh, no.

By the Hon. Mr. Wilson:

Q. He did not care whether they knew it or not. He did not agree to pay it?—A. As a matter of fact they undoubtedly intended to take it as a compensation for turning over to us the business membership of that company.

Q. And you were in the agreement with them, a partner with them?—A. I agreed to do certain things if they did certain things, and I would agree to do it to-day, but that does not commit me to the fact of receiving somebody else's money when they tender it to me.

Q. I see you are not going to give us an opinion with reference to that. Did you go on and collect the dues as they became due?—A. They did.

Q. Carried on the regular business, taking the business entirely out of their hands, and managed it yourself?—A. The members of the Provincial Providence became members of the Mutual Reserve Life Association and were treated as members and have been treated as members from that day to this.

Q. They agreed to transfer the business to you, and you were in future to run the business according to the rules and regulations of your society. They did transfer it to you?—A. They came to us, and the business became part of our business.

Q. You took the business?—A. Yes.

Q. What did you give them for it?—A. Give whom?

Q. The policy-holders, &c., for having worked up that business, because you would pay an agent if you had an agent anywhere. Here you had handed over to you about \$12,000,000 of business and you paid nothing for it—A. Whom should we pay it to. We could not pay it to the trustees.

Q. Why? Afraid you would get behind the bars?—A. No, I was not afraid in the slightest degree of getting behind the bars.

Q. You carried on that business and had your own business?—A. Yes.

Q. Who was your agent there to look after the collections and look after the business?—A. I think Mr. Miller was our agent for a while and Mr. Coghill.

Q. When Miller went to Montreal, Coghill became in control of it, and after he left who next?—A. There is a young lady who was a clerk in the Provincial Provident. Mr. Coghill I think is still collector.

Q. That would be Miss Noble?—A. Yes.

Q. You are still transacting business there?—A. Yes, still collecting assessments.

Q. And you are increasing the death-calls upon the members—A. The death assessments upon the members are increased with increasing age.

Q. And are there as many remaining in now as what was transferred over to you?—A. Oh, no.

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Q. Then you say the fact is that you have taken it out of the former trustees, taken it into your own hand, and you are squeezing those who have been insured and paid in, year in and year out, and you are now, by putting heavy assessments upon them, squeezing them out, and virtually robbing those poor men?—A. I think that my best answer to the Doctor would be to quote Mr. Justice Street in a decision recently given in the case of a Provincial Provident policy-holder who brought suit against the company because they had increased his assessment, and in his decision he said, 'From the evidence before this court there is no doubt that had the Provincial Provident remained as an independent organization and still remained in existence it would have been obliged to do, in order to carry out its contract, exactly what the Mutual Reserve Life Association Company has done in carrying out these contracts.'

Q. That has nothing to do with what we are at?—A. It strikes me it is a good answer.

Q. It does not quite satisfy me? Take the P.P.I. organization. You said you had about \$12,000,000 of business?—A. There is probably about one-quarter of that in force to-day.

Q. And how much of the three-quarters have been on account of deaths?—A. Speaking in round numbers, I should suppose one-half to three-quarters of a million.

Q. Would you be good enough to tell me how many, as far as you can remember, of the deaths that have occurred or settlement made between your company and these people that you have paid the full amount?—A. To every one that had a legitimate claim.

Q. Legitimate claim is a very broad term. You are supposed to be the one to interpret what is and what is not legitimate?—A. Not by any manner of means.

Q. I may say that I do not know one that you have paid in full. If you will mention his name it may bring it to recollection?—A. It would be utterly impossible for me, from memory, to say. I have no personal supervision of the list of death claims so as to be able to remember the names of individual policy-holders. I can supply you with a lot of them at the office and will gladly do so, but to testify to whom losses have been paid or beneficiaries, it would be impossible to do so.

By Mr. Coster, K.C., Counsel for the Committee :

Q. There was notice to produce the evidence before the committee?—A. There was notice to produce before the committee records that would have taken eighteen months to copy if we had brought them. There was notice to produce before the committee the records showing the expenditure of over fifty million dollars.

Q. Particulars of the policies that you shaved would not take so long to prepare?—A. I object to the word 'shaved.' I do not think it is a legitimate word. I was ordered to produce a list of all policies in Canada in the last ten years that had not been paid at their face value. I got that order at 10 o'clock on Monday morning, a week ago, or half-past ten, and I gave the order for that and other documents to be produced, and it will be produced and presented to the committee with full details, but it is not a matter that can be got up in a few minutes. You have to go over all the claims and take out the Canadian claims and go to the records and bring out the vouchers and records in order to give the full information which the committee has asked for, and which will be produced.

By the Hon. Mr. Wilson :

Q. You told me you could not tell me the name of a policy-holder that you had paid in full. Just a minute before, you said you had paid every legitimate claim that had been presented.

Q. How is it you could remember the legitimate claims that had been presented and that you had paid, and you cannot remember a single individual's death that has taken place?—A. I submit that it is a very different thing to testify that the proper

claims against the company have been properly paid, and to name individuals to whom they have been paid.

Q. Have you any record of the legitimate claims that have been paid?—A. We have records of every claim that has been paid, whether it has been paid at the full value or whether it has been compromised, or whether it has been reduced by age, the records exist in the office fully and completely.

Q. Have you a record in the office of how many have allowed their insurance to lapse on account of the increased assessment that they are unable to pay?—A. No sir. We could not possibly know how they allowed their policies to lapse. We have the record of all business that has been in force from that company, and all that ceased to be in force in each case.

Q. And you have also on record a large number of letters where they state that that was contrary to the agreement entered into with the trustees and when they were insured?—A. A complaint that the increase of assessment was not in accordance with the items of the contract? We have a number.

Q. A large number?—A. We have had such complaints. I do not know if it was a large number. We have also the decision of Mr. Justice Street in such a case that it was according to the contract.

Q. That part of it has nothing to do with the question I asked, what Mr. Justice Street said or did not say?—A. Well, it is important to us.

Q. Because at the time that you took over that Provincial Providence you knew full well the condition of it?—A. Yes.

Q. And you knew when you agreed for the consideration to take it over, that you became responsible, and Judge Street's decision has nothing to do with it?—A. I would say to the Committee that when we came into the Dominion of Canada to do business we were compelled, by the law, to subject ourselves to the jurisdiction of the courts of Canada and to abide by their decisions, and it seems to me that a decision of a court of Canada in regard to that matter is binding upon us, and we did agree to carry that insurance upon the basis of a written contract. Complaint was made to the Insurance Department as well as to ourselves that we were not carrying out that contract, and the Insurance Department of Canada, on the specific point on which the complaint was made, asked us for information, and we furnished it as desired, and not having had any decision from that department to the contrary, we assume that they considered we were carrying it out as agreed, but beyond that it seems to me—and I submit it with respect to the committee—that when we have the adjudication of the courts of Canada as to that contract, whether we were carrying it out or not, it is something more than a mere cover. It is a determination and an adjudication of the question at issue.

By the Chairman :

Q. Do you mean to say the courts of our country broke an agreement between you and other people?—A. No, the complaint was made that we had violated the contract, and we were sued for damages on that account, and the case was heard before Mr. Justice Street, and decided in our favour.

By the Hon. Mr. Wilson :

Q. Justice Street's judgment ought not to have very much weight in reference to this matter. Had the original trustees of the P. P. I. carried on the business, are you in a position to tell me to-day that they would be just in a similar position as your Mutual Reserve is to-day? Would they not have been, when this suit was entered, or before that—there might have been provisions made by those trustees with the policy-holders whereby they would all have their claims paid and the assessments increased in the ratio that you increased them? Their office expenses and the expenses attached to the society there would not have been a hundredth part of the enormous expense of yours. The president would have received comparatively little, and do

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you think that by quoting Mr. Justice Street, it is a fair argument to offer the committee? I contend that it is not, and I think the committee will so consider?—
No answer.

By the Hon. Mr. McSweeney:

Q. Did you receive the \$90,000 assets of the Provincial Provident?—A. We received the \$90,000, subject to a trust. We could pay nothing. I feel that I ought to be permitted to answer the question of Dr. Wilson. He has asked me if, in my opinion, the Provincial Provident continued as an independent institution—

By the Hon. Mr. Wilson:

Q. No, I did not want your opinion upon that. I said that the judge had no right to say what would have occurred.—A. Will the stenographer read the question? If it is going on record, I should like to make an answer. I believe, if the institution had continued independently, it would have been in the hands of a receiver to-day. I think that question should be stricken out, because it implies matters in connection with the transfer to the company. It is merely a matter of opinion that the expenses of the Provincial Provident would not have been a hundredth part of what they would have been to us.

By the Hon. Mr. Robertson:

Q. What is the amount of the business in Canada?—A. Two and a half million.
Q. How much under the assessment plan?—A. Practically all assessment.

By the Hon. Mr. Sullivan:

Q. As you are intimate with all the affairs of the Company, if it is not an impertinent question, I should like to ask you about a certain matter. A gentleman said yesterday that the system under which you were carrying on insurance was a fallacious one, one which could not result in success?—A. When I came to the Mutual Reserve, I found certain conditions existing which, I believed, and still believe, must necessarily be changed and corrected if the company were going to continue, and from the time I went there, that was largely my business, to shape a change so as to save the company in spite of the fallacious and unsound methods on which the business had previously been done.

Q. When did you go there?—A. 1894.

Q. Then, you were ten years struggling against the beast?—A. No.

Q. Changes in methods and changes in premiums were made in 1896. I mean the general policy of assessments. Insurance experts were examined yesterday, and they gave their opinion that this assessment system was bad, and could not result in success. Were you of that opinion?—A. In my opinion, to-day, it is possible to carry on sound and permanent insurance on the assessment plan. I firmly believe it.

Q. With the same means as used by the New York Mutual?—A. Not with the conditions as to premiums, payments and rates and so forth that existed in 1894.

Q. Why did you not change it?—A. I changed them just as soon as I was able after I came into the company. They were changed long ago. We had not done any business upon that basis for eight years.

Q. Mr. MacMurchy yesterday stated that they knew the business was on a wrong basis, and he expressed contrition for the wrong and hoped they would be pardoned for past offences. If that was the general opinion of the company, they made no attempt to make any change until the complaint was made by the Hon. Mr. Domville.—A. You are entirely mistaken. We have been at work at it for eight years.

Q. When did you apply for a change in the Insurance Act?—A. I have not applied for a change in the Insurance Act. From the time I have been connected with the company, I have been working to the end of making a change and have believed it was necessary in order to preserve the company. I was in favour of the change that

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was made in the law in 1899, but I believe that there was inserted in that law a provision which was detrimental to the interests of the assessment policy-holders in Canada. I secured similar changes in Massachusetts and subsequently in New York, and that provision was not introduced in either of those States.

By the Chairman:

Q. What is that?—A. That is the provision isolating the policy-holders; at the time that we complied with that provision, I then suggested to the government of Canada that I thought that change ought to be made. I have each year subsequently, as delicately as I could, suggested that I thought it ought to be made.

By the Hon. Mr. Sullivan:

Q. That is the change contemplated in the Act?—A. The change contemplated in the Act that has been introduced: that is, in general terms. I do not mean the details, because the details I am not committed to. I am simply saying that there is a wrong that ought to be remedied, and I am in the hands of the government.

Q. Why did you not make the effort in the legislature here?—A. Because I had no means whatever of making it.

Q. Any man can come here for legislation?—A. I am a foreigner.

Q. Any one can come here and ask for legislation. Your company then had nothing to do with the introduction of this legislation in the Senate?—A. They have asked and desired each year since 1899—

Q. When and from whom?—A. We discussed it with the Insurance Department. We have had it discussed with Mr. Fielding, and we have wanted that change made.

Q. Every year from 1899?—A. Yes, but there have been objections to having it done.

By the Hon. Mr. Landry:

Q. What was your reserve fund composed of? Death claims?—A. It is your cash investments and also the liens.

Q. To what amount does it compare with your liabilities?—A. On the first day of January last, our assets were \$506,000 in excess of our liabilities.

Q. I am speaking of the reserve fund?—A. Our reserve fund is a portion of our liabilities. We charged the reserve which is four and a half million, and we have to have assets to offset that. We have assets to offset the reserve, assets equivalent to the reserve, and assets to equal death losses and other outstanding claims, and we have assets \$506,000 besides, which is a surplus.

Q. When you made a call to the policy holders for death claims, did you have a certain amount for the creation of that fund?—A. In the early history of the company there was added 33½ per cent. That was the original plan, but in 1899 a resolution was adopted by the policy-holders—and I am frank to say that I think that was the beginning of the trouble, that instead of collecting the additional amount to go to the reserve fund, that whatever should be collected for the death fund should be paid for death losses, so that under that resolution the death fund, which had been piling up at the rate of 33½ per cent of the death losses prior to that, began to decrease in a diminishing ratio, so that instead of accumulating the reserve, they used that money which would have gone into that fund, to prevent increase of assessments.

Q. Did your company not at that time issue circulars saying that the 33½ per cent to create the reserve fund was creating a fund the interest on which would go to diminishing indebtedness?—A. I have seen circulars of that character that were issued long before I became connected with the company, and I have no doubt these were issued.

Q. Do you think those circulars issued by the company bind the company?—A. Well that is a question that is a very fine legal question, and has been fought out in

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two or three cases and in the final case now before the Supreme Court of Canada, awaiting decision. Those questions are involved in that case.

Q. You have in those circulars given a table of the claims for each age?—A. Of the rate for age.

Q. Is it in your cognizance that that table is no use at all? Have you asked more than the table indicates?—A. One of the issues in these cases has been whether the table places at the original age of entry, or at attained age. That is the issue in the Anger's case.

Q. What is that?—A. Whether it applies to the rates at which the policy is originally issued or at each age as advanced. If applied to each age as advanced, the table is a different table than if it applied to the original age simply. If it applied to the original age simply, there is no question it would be inadequate.

Q. Supposing I get insured in your company at forty-five years, there will be a figure representing what I must pay at forty-five?—A. Yes.

Q. And a figure marking fifty-five also—A. Yes.

Q. Do you mean to say the figure placed at forty-five will be permanent?—A. Under the policies, I do not think it would be permanent. It increased with age.

By the Hon. Mr. Bériquet :

Q. That is the point at issue?—A. Yes.

By the Hon. Mr. Landry.

Q. But in those tables, there was a maximum I suppose, and a minimum?—A. Yes.

The committee adjourned until 10 a.m. to-morrow.

OTTAWA, June 24, 1904.

Select Committee appointed by the Senate to investigate the standing of the New York Mutual Reserve Fund Life Association of New York, resumed at 10 a.m.

Examination of George D. Eldridge continued.

By the Hon. Mr. Landry :

Q. Did you prepare that statement dividing your officers and your employees into two classes?—A. I had not prepared it, but I will have it prepared from the books of the company and give a certified copy to the committee.

Q. I suppose we can find these statements in these reports that were made to the Insurance Department in the States, the amount of expenses for the officers?—A. The amount of expenses for the officers and office employees?

Q. They are stated under different headings?—A. Yes, and printed in the blue-book of the Canadian Department in the same way; the synopsis of our general report is in each year.

Q. In the face of these documents what objection have you to answer the question that was put to you, asking the salaries of the officers of the company?—A. We are perfectly willing to answer as to the aggregate salaries of the officers of the company, but the individual distribution of it we regard as a confidential matter, and also as a matter that spread before the public, in a public document, to be circulated, is not in the best interests of the company. The examiners of the Insurance Department of the United States, including New York, and also the examiners of the Insurance

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Department of Canada, have absolute access to that information, and have taken it from time to time. Now, for instance, in 1898, the New York Insurance Department examined the company, and I have here their official report certifying that the statement then made to the New York Insurance Department as of December 31, 1897, was correct. This examiner's department saw these papers, saw the facts, but that is a very different thing from printing it in a public document to be circulated everywhere. The aggregate information is given in every report. The distribution of the money to the individuals is a thing that I do not know of having been given in any public report of any insurance company. Take any of your Canadian reports that are given to the department, they are not separate in the items nearly as much as ours are. It states commissions, salaries, other expenses of officers, and puts them into an aggregate sum?

Q. We are not asking to discuss the merits of the question?—A. You asked me the reason.

Q. Yes?—A. Now then there is no basis whatever for a comparison of the individual salaries. There is bases of comparison of the aggregate salaries paid by different companies. Again, when you come to put this information before the public and before employees of our company, for instance—we have several hundred employees there—unquestionably each one thinks that his special service is worth a considerable amount of money. The executive officers of the company, the executive committee and the directors must be the judge of the value of those services, and it would cause bickerings and distrust among the officers, and if anyone came to fill places, in our judgment, it would increase the difficulty of getting men at reasonable compensation.

By the Hon. Mr. McMullen:

Q. What is the amount to the credit of the policy-holders altogether in the hands of your company now? You have \$228,000 in the hands of the Dominion government in the treasury. What other moneys have you got to the credit of the Canadian policy-holders? Have you any other moneys than what is here?—A. Not to the special credit excepting what is here in the Dominion of Canada as shown by our last report.

Q. That is all you have got?—A. That is all we have got.

Q. You say you have nothing to the credit of the Canadian policy-holders only the amount that is here in the hands of the government?—A. Nothing to their special credit.

Q. Have you a return under your hand that you can give us the amount that you collected in the way of assessments from the policy-holders in Canada each year since you were licensed, and the amount that you paid of matured policies, or in any other way? We want you to give us the amount in 1886. What did you collect in assessments that year?—A. The gross assessments collected in that year were \$59,557.

Q. How much did you pay?—A. That gross assessment includes assessment for death losses and also assessments for mortuary expenses. The payments to policy-holders in that year were \$37,800.

Q. But I want you to notice, Mr. Eldridge, that I will prepare for the nineteen years you have done business a return of the receipts from policy-holders every year, and I will bring it before the committee?—A. It was submitted before the committee yesterday.

Q. Who submitted it?—A. Senator Béique. It was given to me to make the footings.

By the Hon. Mr. Landry:

Q. To come back to the question I was putting at the beginning, what is the number of your officers?—A. At present there is a president, two vice-presidents, a secretary-treasurer.

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Q. A secretary and besides that a treasurer?—A. Yes. Two assistant secretaries, controller, a medical director, and, I think, the counsel is a constitutional officer too. Those are the ones that would be in the office.

Q. About ten?—A. Yes.

Q. And the employees?—A. My impression is that there are about two hundred.

Q. Would that be the average?—A. Probably the average for a number of years. I think when I went there the number was larger than it is at the present time. I should say at that time, when I went there, it was about 225 to 250 all told.

Q. Are those officers all members of the board?—A. There are twelve members of the board.

Q. Other than officers?—A. No, the entire membership of the board of directors is twelve.

Q. But all members of the board are not all officers?—A. No, there are three or four members of the Board at the present time that are not officers of the company—there are five members of the board that are not officers, but one of the other members is an employee of the company; he is in the legal department.

Q. There are five that are not officers?—A. There are seven that are officers; there are four that are neither officers nor employees, and one that is an employee.

Q. Those that are not officers, the four that are neither officers nor employees, receive fees for attendance?—A. Yes. I testified the other day that I thought it was \$10. It is \$20 a meeting.

Q. Would those \$20 be in the account as salaries given to officers?—A. No, they would not be in the account.

Q. Distinct account?—A. Yes.

Q. Where would that be entered?—A. It would be entered in the general expenses—office expenses.

Q. How often do you meet?—A. Once a week.

Q. That is the regular meeting?—A. Yes.

Q. Is there an extra meeting?—A. Oh, occasionally there is an extra meeting.

Q. But we may say on an average it is once a week?—A. That is the regular meeting; occasionally an extra meeting comes up, just simply to pass on some routine matter, and the board is called together for a few moments, but the regular meetings are once a week.

Q. When you say there is a meeting every week, I suppose there are committee meetings also?—A. There are committee meetings also.

Q. Besides the board meetings?—A. Yes.

Q. These meetings are attended by members of the committee itself?—A. Yes.

Q. But are they paid?—A. They are not paid for any committee meetings.

Q. It is only the meetings of the Board?—A. Yes.

By the Chairman:

Q. Are the officers of the company who are directors paid for attending the meetings of the company?—A. They are not.

Q. Just the four that are not officers of the company?—A. Just the four that are not officers of the company.

By the Hon. Mr. Landry:

Q. What is the salary of the president?—A. I respectfully decline to answer.

Q. What is the salary of the vice-president?—A. I respectfully decline to answer.

Q. There are two vice-presidents?—A. Yes.

Q. The same answer applies to both vice-presidents?—A. Yes.

Q. What is the salary of the secretary?—A. I respectfully decline to answer.

Q. What is the salary of the treasurer?—A. I respectfully decline to answer.

Q. Is there any other officer?—A. The controller.

Q. What is the salary of the controller?—A. I respectfully decline to answer.

Q. What is the salary of the medical director?—A. I respectfully decline to answer.

Q. Is the counsel a member of the association?—A. I think he is a constitutional officer under the present constitution.

Q. At all events, if he is, what is his salary?—A. I respectfully decline to answer.

Q. Is there any other officer?—A. There are two assistant secretaries that are constitutional officers, I think.

Q. What are the salaries of each of the two assistant secretaries?—A. I respectfully decline to answer.

Q. Do you know what those salaries are?—A. From memory I could state some of them, and from memory I could not state exactly others.

Q. You could tell what is your own?—A. I could.

Q. But you decline?—A. I respectfully decline to answer.

Hon. Mr. LANDRY.—I move that the witness be compelled to answer the questions which have been put to him.

Q. Why do you decline?—A. Because I regard the information as coming to me confidentially in my position as chairman of the executive committee. I regard it as a matter of great detriment to the policy-holders of the company to have this information spread upon the public record to be printed and scattered broadcast. In addition to that, under the law of the Dominion of Canada, to which we are subject, there is an officer established who has the absolute power to visit our office and ascertain any information that he may desire in connection with the company; and in addition to that, I have to say that the Insurance Department of New York, in the State of New York, under our jurisprudence, gives absolute credence and faith to every act of the Insurance Department of Canada with reference to Canadian companies, and we are entitled to the same credence and the same treatment in reference to the acts of our own insurance department as the acts of the Canadian Department are given in reference to Canadian companies; and furthermore, that my declining to answer is by advice of my counsel.

By the Chairman :

Q. Have the policy-holders of your association a right to this information?—A. The policy-holders of the association have asked the information at the annual meetings, and it has been declined uniformly.

Q. I am instructed by the committee to convey to you the committee's command that you answer the questions as put by the Hon. Senator Landry?—A. I regret the issue, but I am under advice of counsel and I respectfully decline to answer.

By Mr. MacMurchy, Counsel for the Mutual Reserve :

Q. The witness Stevenson gave an account of an interview which he had with you, which is referred to at page 6, in which you were represented as having said to the witness Stevenson 'I want you to withdraw that resignation and stay with the company.' Did you make that statement?—A. I did not ask him to remain with the company. I would suggest, in reference to this, that I could cover this examination by making a general statement in reference to that conversation: that Mr. Stevenson did submit his resignation the morning after the board had failed to re-elect him; that I sent for him, suspecting that he had purposes adverse to the company, and I desired to find out what his position was with reference to the company. In the course of the interview, I made him the offer that would have been given to any officer retiring from the company, of continuing his salary for a certain length of time. I also made the statement to him in the course of the discussion which he has chosen to interpret as a statement, that I disapproved of many things that had been done.

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My interpretation of the words I used was that in connection with any business, where there were a number of men associated together, that there must be acts that some of them did not approve and some of them did approve, that no one could expect to carry out his views throughout the administration of a company of that kind. He has interpreted the words to mean differently and so quotes them. That is the sum and substance of the interview we had that morning, and it seems to me that as it does not bear in the slightest degree on the expenditure of any money, that is all that is necessary for the committee.

Q. There was one remark made, 'You can go away and stay one or two or three or four or five or six months and your salary will be sent you right along.' Was there any such offer made?—A. No, there was no definite time of any offer made. As I said, no officer has ever been sent away without expectation of paying him, and when Mr. Stevenson was not re-elected it was the expectation to pay him his salary for a certain length of time, which was not fixed.

Q. Did you offer to make a proposition to him at Richmond, Virginia or at Washington?

THE CHAIRMAN.—Mr. Eldridge asked to be permitted to make a general statement and has covered it, he says.

By Mr. MacMurchy :

Q. Did Stevenson take part in the charges to the New York Insurance Department in 1897?—A. Yes.

Q. Were the charges you have heard here substantially repeated?—A. They are substantially the same charges, although there is some difference in detail.

Q. Were these charges the subject of any investigation by any sworn officer of the Insurance Department: if so, by whom?—A. They were investigated by Isaac Vanderpoel, chief examiner, Insurance Department, New York, covering the period April 17th to August 27th, 1899.

By the Chairman :

Q. You gave that evidence before, did you not?—A. Yes. The examinations in 1898 and 1899 are sworn to by Mr. Vanderpoel and contained in a report of the superintendent, which are separate reports.

By Mr. MacMurchy :

Q. Will you refer to Mr. Vanderpoel's affidavit at page 108 and 109 of the answer of the association, the blue-book which is already in evidence. I ask you to look at this book, which purports to be the depositions of Mr. Vanderpoel and a certified copy from the Clerk of the Supreme Court of New York, which is sworn on the 2nd April, 1900?—A. That is the affidavit of Mr. Vanderpoel extracted from that document. (Report filed Exhibit 13.)

Q. Referring to that affidavit taken in an action of the Mutual Reserve against J. Thompson Patterson, already referred to before this committee, will you refer to the portion of that affidavit dealing with the charges which were investigated upon the complaint of Mr. Stevenson and Mr. Wells, which we have had discussed here and read. Will you read the statement of the witness Vanderpoel on that occasion?—A. The statement reads as follows:—

NEW YORK SUPREME COURT.

THE MUTUAL RESERVE FUND LIFE ASSOCIATION }
Against
 J. THOMSON PATERSON. }

Proceedings before Stephen H. Keating, Esq., a referee duly appointed by order of Mr. Justice Lawrence to take the deposition of Isaac Vanderpoel, held the 2nd day

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of April, 1900, at one-thirty p.m., at the office of the referee, No. 32 Nassau street, New York city.

The referee takes the oath and files the same, Isaac Vanderpoel, Esq., being first duly sworn by the referee, testifies as follows :—

EXAMINED BY MR. ELKUS:

I am the Chief Examiner of the Insurance Department of the state of New York, and have my office at No. 11 Broadway, in the city of New York, which is the office of the Insurance Department of the state of New York, in the city of New York. I am attending here because I have been served with the order of Mr. Justice Lawrence, dated March 31st, 1900, requiring me so to do. I have been connected with the said Insurance Department for the past 30 years.

In the year 1899 I received instructions from the Insurance Department to examine the Mutual Reserve Fund Life Association. I began such examination about May 15, 1899, and continued the same until about August 15, 1899. This examination was conducted by me assisted by about twelve assistants. I examined or caused to be examined all the books, papers and records of the association, including the minute books of the board of directors, and also generally examined various contracts. After such examination I made a written report to the Superintendent of Insurance. I was familiar at that time with the charges filed by James D. Wells and John M. Stevenson with the Insurance Department against the Mutual Reserve Fund Life Association, and its officers. In such examination I investigated the said charges against the said association and its management, so filed, in so far as the books and records of the association were concerned, and in so doing found nothing which impaired the integrity or honesty either of Frederick A. Burnham, the President of said association, or any one else associated with him in the management of the association at the time of such examination.

I found in my examination that the acts of the officers of the said association were always within their powers and prerogatives as defined by the association's by-laws or constitution, or as said acts may have been authorized by the directors of the association as evidenced by the minutes of their proceedings.

At the time of such examination I was requested by Mr. Frederick A. Burnham, the President of the said association, to make my examination of the said charges and of the said association thorough and complete, and to the best of my ability I made a thorough and complete examination thereof. I was afforded every facility by the association and its officers to make such examination.

(Signed) ISAAC VANDERPOEL.

Subscribed and sworn to before me }
this 2nd day of April 1900.

(Signed) STEPHEN H. KEATING,

Referee.

NEW YORK SUPREME COURT.

THE MUTUAL RESERVE FUND LIFE ASSOCIATION }
Against
J. THOMSON PATERSON. }

I do hereby certify that by virtue of the order made by the Hon. Abraham R. Lawrence, Justice of the New York Supreme Court, county of New York, on the 31st day of March, 1900, I took the foregoing deposition of Isaac Vanderpoel, having first taken the referee's oath.

Dated New York, April 2, 1900.

(Signed) STEPHEN H. KEATING,

Referee.

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Form 9.

No. 828. }
State of New York, } ss
County of New York. }

I, THOMAS L. HAMILTON, Clerk of the said county and Clerk of the Supreme Court of said state for said county, do certify, that I have compared the preceding with the original. deposition. on file in my office, and that the same is a correct. transcript therefrom, and of the whole of such original.

Indorsed filed, May 8, 1900.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal, this 16th day of April, 1904.

THOMAS L. HAMILTON,
Clerk.

Q. How long has Vanderpool been connected with the department and what is his position?—A. He is now chief examiner for the department and has been connected for about 25 years; part of the time of recent years as first deputy superintendent and subsequently as chief examiner.

Q. Does he examine into the affairs of all the insurance companies doing business in the State of New York?—A. The New York Insurance Department makes an examination of the companies in New York on an average once in every three to five years, and Mr. Vanderpoel, so far as the time allows, conducts those examinations of recent years.

Q. This examination I believe he made specially?—A. He did.

Q. Are you aware of that personally?—A. I am.

Q. Did he go into those matters with you?—A. He went into very many of them with me.

Q. Were these charges made and were you heard before any other tribunal in New York; if so, what, on these charges?—A. Subsequently these charges were filed by J. M. Stevenson and four other policy-holders—my impression is that it was early in April 1900, February 1900, with the Attorney General of the State of New York in connection with a petition for leave to proceed under the Statute for the removal of Mr. Burnham as president, on account of these derelictions of duty. These charges so made to the Attorney General were served upon the association and its officers, together with the affidavits and other proofs admitted to the Attorney General and in answer we gave our answer. The answer of the Association, also the answer of the various officers together without affidavits, the entire proof being in the form of the affidavits and not by a personal hearing in that case. After the filing of these answers and counter answers, the Attorney General heard argument upon the matter, at which argument I was present, the counsel for the petitioners being ex-governor Black of New York, and, for the company, Frank H. Platt, and after the argument the Attorney General took the matter under advice and made this finding in the matter. This finding is not certified, but I personally have examined the original finding, compared it with this printed copy, and am prepared to swear that that is a copy of the finding of the Attorney General.

By the Chairman:

Q. The fact of the matter is that these charges were made and brought before the Attorney General's Department and not looked into, or set aside?—A. They were looked into and dismissed by the Attorney General.

By Mr. Coster, K.C., Counsel for the Committee:

Q. That is only the opinion of one man, and probably paid to give it?—A. The Attorney General of New York? As a citizen of New York I do not think that it is proper to make such a statement.

Q. The finding reads as follows (Exhibit 14.)

BEFORE THE ATTORNEY GENERAL.

In the matter of

The application of James R. Maclay and others, to the Attorney General, to bring an action to remove Frederick A. Burnham as president of the Mutual Reserve Fund Life Association.

This is an application under section 1781 of the Code of Civil procedure to bring an action to remove Frederick A. Burnham from the office of president of the Mutual Reserve Fund Life Association, and is made by policy holders in the association.

The superintendent of insurance is charged with the supervision of associations of this character, as well as other insurance companies of this State.

Article 4 of Insurance Law vests the power of visitation over Assessment Insurance Corporations in the Insurance Department, and section 207 of that law defines the powers and duties of the superintendent of insurance, as well as those of the Attorney General, and is as follows:—

‘All corporations, associations and societies to which this article is applicable, with their books, papers and vouchers, shall be subject to visitation and inspection by the superintendent of insurance or such persons as he may designate. The superintendent may address any inquiries to any such corporation, association, or society in relation to its doings or condition, or any other matter connected with its transactions relative to the business contemplated by this article. All officers of such corporation, association or society shall promptly reply in writing to all such inquiries, under the oath of its president or secretary or other officers, if required.

‘When the superintendent, on investigation, shall be satisfied that any corporation, organized under the laws of this State, doing business in this State of the character defined in this article is insolvent because of the matured death claims or other obligations due and unpaid exceeding its assets and death or disability assessments or periodical calls made or in process of collection, or has exceeded its powers, failed to comply with any provision of law, or is conducting business fraudulently, he shall report the facts to the Attorney General, who, if he shall be of the opinion that the facts require such action, must thereupon apply to the Supreme Court, at a special term thereof, within the judicial district in which the principal office of such corporation, association or society within this State is located, for an order requiring the officers of such association, corporation or society to show cause, at a reasonable time and place within such district why such corporation, association or society should not be restrained from continuing to transact business, with power to the court to adjourn the hearing thereon from time to time, not exceeding sixty days in all.’

Pursuant to this power the superintendent of insurance, about August 22nd 1899, caused an examination to be made of the affairs of this association, and if he had deemed any action necessary, as a result of that examination, against that corporation or any of its officers, he would have so reported to the Attorney-General. He did not do so.

The affidavits and documents presented upon this hearing disclose a violent conflict upon all the material questions before me. The examination made under the superintendent of the insurance department is a much more satisfactory and conclusive method of determining as to the condition of the company and the conduct of its affairs, than a hearing of this character upon conflicting affidavits.

In view of the fact that the superintendent, after his examination, did not deem it advisable to recommend legal proceedings against the association or its officers, as he was bound to do under the statutes if he had discovered any irregularity or corruption, I feel that his determination of these questions should be respected by me.

The commencement of an action of this nature to remove the president of this association, and the extended litigation which would be sure to follow, even if the

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result should finally prove unfavourable to the petitioners, would be very disastrous in its effect both upon the association and its policy-holders.

For the reasons indicated, I think that the interests of all concerned require the denial of this application.

Application denied,

Dated, Albany, N.Y., Nov. 21, 1900.

(Sgd.) J. C. DAVIES,
Attorney-General.

By the Chairman

Q. He makes the statement that his investigation is not conclusive—not as conclusive as the other examination?—A. In that other investigation I desire to add to my previous testimony. In regard to the examination made by the New York insurance department I have testified that Mr. Vanderpoel made the examination, and that he took up with me some of the charges. I wish to add in addition to that, that in July, 1899, while the examination by the New York Life Insurance department was still in progress, a copy of the charges were given to the association and the officers, and an answer requested from the insurance department, which answer was made under date of July 26, 1899, on oath, by the president and the vice-president. Subsequently thereto, the Insurance Department examined the president under oath personally. When the report was made, a copy of the report was served upon the officers of the association, and a hearing was fixed at Albany, New York, which was attended by the officers of the association and the counsel, and hearing had, and various charges then made taken up and inquired into at that time, and prior to the filing of the report of Mr. Vanderpoel as a public document.

Q. Subsequent to the filing of that report, as a public document, the insurance superintendent submitted the report to the Attorney General, and the Attorney General, on the 13th day of December, 1899, made a finding in reference to said report.

Q. You stated that the superintendent of the Insurance Department of New York went into the charges with you?—A. The chief examiner.

Q. Did that investigation take place in the presence of the policy-holders who had made the charges against the association?—A. It did not.

Q. Then the investigation was all conducted between the insurance company and the Insurance Department of New York without the presence of those who had made the charges?—A. How far the Insurance Department dealt with the policy-holders I am not informed.

Q. They were not present when he investigated the charges?—A. The superintendent of insurance stated at the time our hearing that he had the complainants before him.

Q. That is not the question?—A. At the time we were before him, the policy-holders were not before him—at the same time.

By Mr. McMurchy, Counsel for the Company :

Q. I understand that it is the habit of the New York Insurance Department to examine periodically?—A. Yes.

Q. Without any charges?—A. Yes, as a rule they examine all their companies once in three to five years.

Q. Do they examine the Canadian companies?—A. They do not.

Q. Why?—A. The New York Insurance Department never goes outside of the State of New York to examine companies, but always accepts the authorities of the State or company where the company is incorporated as conclusive, and gives implicit credence to it.

Q. Including Canada?—A. Including Canada.

Q. A great deal was said about these transfers of policies from the fifteen-year to the five-year plan, and those transfers were treated as new business. The first question I have to ask you is this : What was the plan the founder of the association had with regard to assessments, when a man entered the association as a policyholder, and how did that account for the change that had to be made ?—A. As practically carried out, the plan was to retain the rate of assessment as of the age when the party entered the association.

Q. For instance, suppose a man entered at the age of 25, he would be charged a certain rate ?—A. A certain rate at age of entry.

Q. Five years later, another man of the same age enters at the age of thirty. We will say A. entered at 25 and remains five years in the association : he continues to pay as at the age of 25. B. of the same age, enters at thirty : does B. pay the same as A. at age thirty, and if not, why not ?—A. Under the plan as practically carried out up to 1895, A. would continue to pay as if he remained at the age of 25, while B. going in at the age of thirty, and both have the same age, would be paying on the rate of age thirty, so one would be paying at the rate of 25, and the other at 30, although both were the same age.

By the Hon. Mr. Landry :

Q. That is the age of entry ?—A. Yes.

By the Chairman :

Q. That is the universal practice ?—A. Yes.

By Mr. McMurchy, Counsel for the Company :

Q. You say that continued from 1881 to 1895 ?—A. Yes.

Q. Fourteen years ?—A. Yes.

Q. Therefore, if a man entered at 25, and remained there fourteen years, he would be 39 in 1895 ?—A. Yes.

Q. And a man might come in at the age of 39, and although fourteen years older, he might be paying an assessment for that age, while the who entered at 25 would be paying the assessment for the age of entry ?—A. The man who went in at 25, would be, at the end of fourteen years, thirty-nine, and would be paying on the basis of age of 25, while the man who entered at the age of 39 would be paying on the basis of age 39.

Q. How did that bear on this transfer from the fifteen-year to the five-year plan, and what was the necessity ?—A. The result of that was, that the members who had been admitted at the earlier ages, were not paying the cost of the insurance, but were paying only a portion of it, while later members were compelled to make up the deficiency, and in the matter of transfer which brought them under a contract to pay rates at attained age, it largely increased the premium receipts of the company, from the business so transferred.

Q. In other words, as I understand it, your object was to make every man of the same age, no matter when he entered, pay at the same rate—is that correct ?

Hon. Mr. WILSON.—Or, in other words, violate the contract he had made at 25 years of age ?

Q. What was the object of making the transfer ?—A. The object of making the transfer was that the business that had theretofore been written was on insufficient rates, if the rates were counted as fixed as of age of entry, and there was the absolute necessity existing of increasing those rates in order to collect the amount necessary to pay death claims, and to apportion it properly among the membership, and under the form of contract which avoided many of those errors that had crept into practice in the earlier business, which form of contract was the one which was being used for new business of the company, it was deemed desirable to exchange the policies, so far

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as individuals consented to exchange them, bringing them to a better basis of contract, and avoiding those early difficulties, and in doing so, of course, increased the premium income of the company from the business.

Q. With the consent of members?—A. With consent of each individual member.

By the Chairman:

Q. I can understand that the rate should be increased to meet the death claims. Now, one of the charges made by the policy-holders of the company is this, that their rates were not increased solely to meet death claims, but to meet extravagant expenses. There is the sum and substance of the situation—there is no use of hiding it. There is the complaint of the policy-holders—that the premiums were increased, not only to meet the death claims, but their complaint is, the expenditure of the company was too large, and, consequently, their rates had to be increased for both reasons. These are the questions which have to be met.—(No answer.)

By Mr. McMurchy, Counsel for the Company:

Q. You can give the explanation you proposed to give, at a later stage?—A. This is the first time, I would say in explanation, that any specific charge in this regard, as before this committee, has come before me. I have been labouring under the disadvantage of having no formulated charge to answer or address my testimony to. On the matter of such a charge as that, I shall be very glad to submit to the committee what I regard as conclusive evidence, but it will take a little time to put it in formal shape, which, in my opinion, would be very much better than to attempt to go into an explanation of it here, which would necessarily take a great deal of time, while I could submit it in figures much more succinctly. As far as the Canadian business is concerned, I have figures that, I think, would explain.

By the Chairman:

Q. Senator Béique, last evening, brought to your attention this main fact, that the policy-holders of Canada had paid into the treasury of the association over five million dollars in assessments?—A. That covered everything.

Q. The Senator then stated that policy-holders of Canada had obtained only \$3,060,000 out of that sum. Now, he asked for an explanation of that. The explanation given was, that nine hundred thousand dollars and over were paid for the expenses to the agents in Canada. Then the Honourable Senator brought to your attention the fact that that did not explain the balance of \$740,000, and I think your answer was, that out of that amount there was some \$240,000 in the hands of the Dominion Government as a deposit. The Honourable Senator did not draw his conclusions, but there was no explanation for the balance. That meant that the policy-holders of Canada are paying more money to the company to meet their death claims and the expenses of the company than they get in return—that is, according to the figures?—A. Necessarily they must. They are a part of the membership of the company, and all general expenses which are incurred for the entry membership are charged as of the home office, and they should contribute towards those general expenses which are for the whole company, their proportionate share, the same as any other policy-holders. I had some figures here, which I am sorry Mr. Béique is not here to see, but no increase was made in these premiums until 1895. From 1885 to 1894, both inclusive, the total income, including interest and everything in Canada, was \$1,764,436. The payments to policy-holders were \$941,811. That is, that during the time preceding any increase of the entire income in Canada, where \$100 was collected, in the entire income, including interest, \$53.38 was returned in policy claims to the policy-holders.

Q. That is, for every hundred dollars a Canadian paid he got back \$53.38?—A. Yes.

Q. That would cost him \$46.62 for insurance?—A. Now, taking the same figures from 1895 to and including 1903, 1895 being the first year in which the increase in

rates was made, the income in Canada from all sources, including interest, was \$3,268,082. There were paid in policy claims during the same time \$2,118,218. That is, for each \$100 income during that period, there was paid to policy-holders, \$64.81.

Q. Making the net cost \$35.19?—A. Yes. Now, if you count everything as used in expenses, all the collections in Canada not returned to policy-holders or deposited with the government you have this result : from 1885 to 1894, both inclusive, prior to any increase in the rates, there was returned to policy-holders \$941,811, and there was used for expenses upon that basis—counting everything as expense—\$715,049. For \$100 returned as policy claims, there was used \$75.92. From 1895 to 1903, the period during which these increased rates occurred, there was paid to policy-holders in Canada, \$2,118,218, and there were expenses calculated upon the same basis as during the preceding term, that is, everything collected, less payments to policy-holders in deposits, \$1,013,362. That is, for each hundred dollars paid to policy-holders in claims there was used for expenses \$47.84, as against \$75.92 in the preceding term. Now, I submit that a basis of comparison can only be had by similar business of the Canadian company, doing business in Canada at the opening of the time when the Company came into Canada, and continuing through that term, collected during the time.

By the Chairman:

Q. What companies are those?—A. All the Canadian companies grouped together.

Q. Mutual assessment companies?—A. No.

Q. All kinds?—A. Yes.

Q. I do not know whether the comparison would be fair to the policy-holders?—A. We are still a mutual company. Many of the largest companies in the United States on the old line basis are mutual companies. The Equitable is a capital stock company. The Mutual Life is a mutual company. The payments to policy-holders were \$49,253,435, and the expenses, \$28,276,456, making for each hundred dollars paid to policy-holders and expenses, \$57.41, against \$47. To cover the entire period and average expense, I made the distinction up there, because it was said the increased premiums meant an increased expense, and I divided, and for the whole period the Mutual Reserve was, for \$100 paid to policy-holders, \$56.48. If we exclude the Canada Life, which was in a peculiar class by itself, because of its extreme size at the time, the payment to policy-holders was \$28,243,962, and the expenses, \$20,574,019, being, for each \$100 paid to policy-holders, expenses of \$72.84.

By the Hon. Mr. Wilson :

Why do you exclude the Canada Life?—A. Well, it had a very large business, which none of the other companies had at the time.

Q. Still some of the United States companies had?—A. I was comparing the Mutual Reserve, four years old, with the Canadian companies, so that the comparison should be entirely fair.

Q. That is for the whole period?—A. For the whole period. As I say, I am willing as regards the entire business of the company, to submit an exhibit as to the expenses before the increases were made and after the increases were made.

By Mr. McMurchy, counsel for the Company :

As regards the Canadian business?—A. No, the entire business to show there was not the swallowing up in large expenses which the chairman says was one of the charges against the company.

Q. Something was said with regard to the misunderstanding that arose between Mr. Stevenson and some others as to the terms on which that transfer was made from the fifteen-year plan to the five-year plan. In effect, I think, the allegation was that there was an unfair dealing with the mortuary fund?—A. Mr. Stevenson has testified that this business when transferred was treated as new business, and that a

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commission for new business was paid on the transfer, and that in addition thereto there was paid the last mortuary call that had been paid by the policy-holders.

Q. That is the sixty-day call?—A. The sixty-day call, so that the agent received, if he was getting the sixty-five per cent and the mortuary call. I have to say that that statement by Mr. Stevenson is not correct, that the last mortuary call was not paid in addition to a commission for transferring the business.

By the Chairman :

That is a part of the testimony that you object to; it ought to be the mortuary call alone?—A. He states the mortuary call was paid in addition to the commission and it is correct.

Q. Is the balance correct, that these transfer were treated as new business?—A. They were treated as new business.

Q. And commission paid accordingly?—A. Yes, during a certain period of time, they were carried on as new business.

By Mr. McMurchy, counsel for the Company :

Q. Why was that done?—A. Because it was believed by the management that it was very greatly to the advantage of the mass of policy-holders, that as much of this business as possible should be transferred upon the higher rates, and upon a definite contract, and thus avoid the difficulties that were sure to come about in the succeeding increase of premiums, and also provide for the company at once an increased revenue from premiums, and the result of this transfer succinctly up to the end of 1899 was in round numbers—I have not the exact figures here—the business transferred during all the time, including fifteen year and ten year business both—a citation was made from the report which only covered the fifteen year business and I cover all the transfers from the fifteen to the ten and the five—was a trifle under fifteen million dollars. Mr. Stevenson testified it was somewhere between twenty and twenty-five millions, but by actually taking the policies off, it was a trifle under fifteen millions dollars.

Q. Did you take them off yourself?—A. I had them taken off by clerks, and verified it afterwards. I did not verify all the policies, but took every twentieth one and verified it. I could not go over every policy personally.

By the Hon. Mr. Wilson :

Q. You are satisfied there is a difference, you say?—A. I am satisfied it was correct. To the close of 1899 the business that was so transferred had paid to the company in premiums between nine hundred and nine hundred and one thousand dollars. The cost of making the transfer was between two hundred and seventy-three and two hundred and seventy-four thousand dollars, leaving the net premiums received upon that business at \$627,000. Had the business not been transferred the premiums which it would have paid would have been \$506,000, so that after paying the actual cost of the transfers the business gave to the company \$121,000 more in that period than there would have been if it had not been transferred.

Q. And that money was available for the payment of death claims?—A. It was available for the payment of death claims.

Q. Is there any intention to keep transferred policies still on the books as in force?—A. Not only was there no intention so to do, but the orders were imperative that no commission could be paid upon the new policy until the old policy had been surrendered and cancelled, and the assistant secretary, Mr. Stevenson, who was charged with the preparation of the vouchers for the payment of these commissions, was required to certify to that effect in regard to every one of them. As regards this charge, that the transferred policies were continued upon the books, it was not contained in the charge to the Insurance Department of New York made in 1899, and it was not contained in the charge made to the Attorney General in the beginning of 1900.

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first time that it was heard of as regards these transfer policies—I am not saying there was not a charge with respect to policies that were not actually in force, being put on the books, but I am talking of this specific charge of two million dollars which Mr. Stevenson testified to the other day, the first time it was brought to our attention was in an affidavit made by Mr. Stevenson in connection with a motion of J. T. Patterson, to have his bail reduced under his suit for libel. In that affidavit, Mr. Stevenson states the fact of policies having been retained, and says the amount was one million dollars. In his statement here, he says they are retained, and the amount is two million dollars. Mr. Stevenson says in his testimony here that early in January he talked with the Actuary's Department and found they had a record of two million dollars more than his record showed, and he came to me and talked to me about it. The fact of any such interview, I deny, but I want to state that the record of business actually in force would not be made up until just about the time of the annual meeting. There would be, in the meantime, however, a number of rough figurings, because at the close of business we were all anxious to know what the results were, and to get as near an approximation as we could, and various times there would be rough figuring, but the final report which was sworn to would not be made until twenty-four or forty-eight hours after meeting, and it was the day he says he wrote his resignation, and the day preceding the day he tendered it, so that there was a difference between the rough figuring, and he would not know there was a difference when the report came to be made up and presented to the department.

Q. Mr. Stevenson may have seen rough approximate figures, but not the sworn return?—A. He left the office before the sworn return was made up in the office, and that was not until after the annual meeting.

Q. He has claimed, in addition to that, that where there was a reduction from a ten to five thousand dollar policy, that the cancelled ten thousand dollar policy was not deducted, but there was a report that there was fifteen thousand dollars in force instead of five thousand?—A. That is part of his two million dollars which I have been testifying did not exist.

Q. He says that you told him the volume of business for 1898 was not very large, and it was not a very advantageous time to make the change, and you cut that business out?—A. That interview I never had.

Q. Then the question of delinquent policies, I think you have an explanation to make about that, and in connection with that, I should like to direct your attention to the addition made by the witness to his statement. After he was examined by the committee, he added a footnote?—A. When I came to the company the custom of returning to the department business on which the assessment had not been paid—one or more assessments had not been paid up, two in a year lapsed—was in vogue. I discussed it with the officers of the company, including Mr. Harper, and he had given me the reason why this custom prevailed. During that year, 1894, and the early part of 1895, there were two examinations of the Mutual Reserve, and they were going on concurrently. The New York Insurance Department was making an examination under Mr. Appleton, the chief clerk at that time, and the Department of Illinois, Ohio, Texas, and South Dakota were making a joint examination. During this examination, I discussed the question of the retention of this in the reports, with Judge Spencer, the counsel of the New York Insurance Department, and he saw no reason to instruct for a change, but some reasons why it should be retained. That it was not a matter concealed, I desire to quote in my testimony a paragraph from the report of the four State Commissioners, Illinois, Ohio, Texas and South Dakota, which is published in the twenty-second annual report of the Insurance Superintendent of the State of Illinois, 1895, covering the year ending December 31, 1894. In reporting as to their examination these four superintendents say:—

‘The books of the association showed the number of members on November 13, 1894, to be 92,155. Of this number 5,056 are in default of the current or several pre-

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ceding assessments on December 24, 1894. Upon the ruling of the Supreme Court of the State of New York these delinquent members have a vested right in said contract at any time, within the year on certain conditions.'

I quote that, to show that even at that time it was publicly known to officials of the Insurance Department that that custom prevailed.

By the Hon. Mr. Wilson :

Q. Would that apply to that Canadian business too?—A. That would apply to that Canadian business too.

Q. You say it was the New York law?—A. The Supreme Court of New York had passed upon the feature of the contract of a company that had a similar provision in regard to the right of reinstatement. That right of reinstatement applies to every policy-holder of our company, whether in Canada or elsewhere, so the rule of having a vested right, covered every policy-holder, whether in Canada or elsewhere.

By the Hon. Mr. Landry :

Q. He has twelve months?—A. Yes.

By the Hon. Mr. Wilson :

Q. Had Canadian policy-holders availed themselves of that rule?—A. A great many to reinstate.

Q. Generally?—A. Not generally. I do not mean to say that the majority of them, or generally, reinstated, but a great many had reinstated, whose policies had lapsed under the previous constitution.

Q. Could you briefly state what the provision was in Canada?—A. It is the provision of the By-law :—

'The Executive Committee shall have power to reinstate a delinquent member at any time within one year, for good cause shown, and upon satisfactory evidence of good health and upon payment of all delinquent dues and assessments.'

Q. The New York Supreme Court decided it was not left optional? What is the case?—A. It is a case against the Massachusetts Benefit Life.

By Mr. Coster, K.C., Counsel for Committee :

Q. I never heard of such a case?—A. I have, and I will ascertain and give the citation.

Q. Do you mean to say that they have it as a matter of law, when the contract was void?—(No answer.)

By the Hon. Mr. Wilson :

Q. It seems strange to me if they had that power, that you made it known in Canada, or were you acting under the Supreme Court of New York?—A. I will say in reference to that, that every policy-holder whose policy lapsed, whether in Canada or anywhere else, had a circular sent to him calling his attention to the fact that he had lapsed, calling his attention to the provisions of the by-law under which he had the right of reinstatement, and that was done within thirty days after the date of his lapse. Then, within fifteen days after that, if he had not reinstated, a form of letter called the president's letter, because it bore the signature of the president, was sent to the policy-holder, calling attention to the preceding circular and repeating his right to reinstatement, and there were hundreds of policies reinstated under that provision, and millions of insurance. In this case, the Massachusetts Benefit, which I will give Mr. Coster the citation of, even if I have to telegraph to New York for it, the man had lapsed his policy and died. Before the thirty days expired, the beneficiaries brought evidence to the company of satisfactory reasons for his lapsing.

Q. How long had he lapsed?—A. It was less than thirty days.

By Mr. Coster, K.C., Counsel for the Committee :

Q. That was before the thirty days had expired ?—A. It was within sixty days of the due day.

By the Hon. Mr. Wilson :

Q. In less than thirty days he certainly was entitled to the death insurance. Your answer does not explain in any way the right of the Canadian policy-holders to be reinstated ?—A. That is covered by the by-laws which I have already read. It is part of every contract.

Q. It gave no information to the people, or the insured in Canada, of the rules whereby you were governed in New York, because there you were governed by the decision of the Supreme Court. Now, what I wanted to know was, did you inform the policy-holders of Canada as to what course the Court of New York took so as to place them in the same position as the policy-holders of New York ?—A. We did not inform any of our policy-holders in reference to this decision of the Supreme Court of New York, but we did inform every one of our policy holders when he lapsed that under the constitution and by-laws he had the right of reinstatement on furnishing satisfactory evidence of good health and paying the delinquent dues and assessments, and that was done, not only once, but it was done every time that a man lapsed, and a second notice was sent to him afterwards recalling his attention to that fact.

Q. The course that you pursued in New York with the circular you sent out, would it cover the course you pursued in reference to policy-holders in Canada ?—A. It was identically the same in New York and Canada.

Q. Then it was certain conditions. New York compelled you to say this man may be returned under certain conditions; did you make it known that these men could compel you to accept the renewal of their insurance under those conditions ?—A. We did not make it known to any one as regards that decision of the Supreme Court of New York. This provision of the by-laws was a part of every contract whether written in New York, England or Canada.

Q. Will you say whether the conditions were changed after the decision of the Supreme Court of New York ?—A. The conditions were the same before and after. This was simply an interpretation by the courts of New York of what the meaning of that clause which was in the contract and had always stood there, was, and as a decision of our own State it bound the corporation everywhere.

Q. How was this decision obtained ? Was any action entered to bring it before the Supreme Court ?—A. In this case that I refer to, the party was assessed by the Massachusetts Benefit and he had thirty days of grace after the date of the assessment to pay. He failed to pay during that thirty days, so that the policy had lapsed.

Q. He was dead ?—A. Not during that thirty days. He was living at the expiration of that thirty days, but during the next succeeding thirty days he died, and the beneficiaries came and tendered the money and claimed the right of reinstatement, giving good cause for the lapse, and the company refused to receive it. Thereupon the beneficiaries entered suit against the Massachusetts Benefit, claiming that they had a vested right of reinstatement, having given evidence of the causes of the lapse and good health, which should have been satisfactory reasons, and although the words were almost identical with these, the decision of the Supreme Court was that it was not a matter within the discretion of the directors to say arbitrarily that it was or was not satisfactory to them, but that if evidence was presented that should be satisfactory, that was satisfactory under the by-laws, and under the vested right, the man had the right to reinstatement, even though it was exercised by the beneficiaries after he died, and they reinstated the policy and gave judgement for the face of it.

Q. You would in no way notify your insured in Canada of the rights that they might under the law or under the decision of the Supreme Court have, that if they allowed their policies to lapse, and within a certain time gave you evidence that they

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should be reinstated, you did not notify them to that effect, so that they could come back and reinstate, or in other words, you allowed them to be frozen out?—A. We notified every one of them every time that they lapsed.

Q. I know you notified them, but you did not notify them that the Supreme Court held that they had the right after a certain time, under certain conditions, to be reinstated?—A. We did not notify them that the Supreme Court so held, but we notified them, that they did have that right, and that was certainly more conclusive; we notifying them, we could not plead afterwards that they had not the right?

Q. Did you give them any different notice to what you had given previously?—A. No, we had always given them that notice.

Q. You did not give them the benefit of the decision of the Supreme Court?—A. We gave them the benefit of the decision of the Supreme Court.

Q. How did you come not to change your notice?—A. Because they always had the right, and this was simply an interpretation of a right they always had.

Q. According to the decision of your company, they did not have a right, because you contested the right, and refused to pay until the Supreme Court told you you should pay?—A. I beg your pardon: this was not a case against our company: it was against the Massachusetts Benefit Life.

Hon. Mr. McMULLEN.—I must apologize to the company for submitting a statement which was not correct. I took the wrong figures. I have the figures right now.

The WITNESS.—I desire to apologize for any heat I showed.

By the Hon. Mr. McMullen:

Q. I have the figures from 1886 to 1902. Now this is the New York Mutual Reserve Life. I have taken the figures from the returns submitted to parliament every year and certified to as being correct by the inspector of insurance. I have taken them off these books carefully. In 1886, you received from policy holders \$100,213?—A. That includes interest.

Q. No, it does not include interest. The column that gives it in the blue-books says 'Received from policy holders'. I have taken nothing whereby the company earned money by interest on deposits or anything else. This is the bare sum paid by the policy-holders to the company, and on the other hand, the bare sum paid out to policy-holders for any purpose?—A. Yes, \$37,000 paid out.

Q. You have that?—A. Yes, \$37,000 paid out.

Q. You received from policy-holders \$128,096 and you paid them \$62,650?—A. Unless I make objection, it is assumed I consent.

Q. In 1888 you received from policy-holders \$142,972 and you paid to them \$73,200. In 1889 you received from policy-holders \$160,139 and you paid to them \$82,600. In 1890 you received from policy-holders \$181,212 and you paid to them \$105,597, and in 1891 you received from policy-holders \$186,032 and you paid to them \$111,800. In 1892 you received from policy-holders \$216,811 and you paid to them \$133,650. In 1893 you received from policy-holders \$268,180, and you paid to them \$160,905. In 1894 you received from policy-holders \$313,526 and you paid to them \$160,595. In 1895 you received from policy-holders \$323,189 and you paid to them \$163,793. In 1896 you received from policy-holders \$416,314 and you paid them \$264,728. In 1897 you received from policy-holders \$517,628 and you paid them \$280,239. In 1898 you received from policy-holders \$455,567 and you paid them \$300,693. In 1899 you received from policy-holders \$416,354 and you paid them \$304,120. In 1900 you received from policy-holders \$438,329 and you paid them \$230,450. In 1901 you received from policy-holders \$355,879 and you paid them \$292,322. Did you send in return for 1902?—A. We did, yes.

Q. I cannot find them.—A. You will find it under the legal reserve. Before that it had been under the assessment, I think.

Q. This statement commences in 1886, and you answered me to-day that the only assets you have got for the policy-holders in Canada of the New York Mutual Reserve Life is simply the amount of money that is now in the Receiver General's hands in Canada, \$228,000.—A. This return that you show for some years includes the legal reserve business. We have a deposit separate for the legal reserve business, separate from the assessment business since 1899.

Q. That is a clear statement of the amount of money that you have collected out of policy-holders in Canada, and the amount of money that you have paid them for sixteen years. Now, on your own oath to-day you state that there is nothing to the credit of these people, unless what is in the Dominion treasury, the \$228,000. What is the amount you have collected from policy-holders in these sixteen years in Canada? \$4,821,041? You have paid to them \$2,765,141, which leaves over two millions of money that has been collected from those policy-holders, one dollar of which is not to the fore, unless the \$228,000 in the Dominion Government's hands. Is that correct?—A. I do not think your footings are correct.

By the Hon. Mr. McSweeney:

Q. You received from the Mutual Reserve \$194,858.10—payments to policy-holders for the year 1903. That is right?—A. Yes.

Q. Excess of income over expenditure, \$71,221.81?—A. Yes.

By the Hon. Mr. McMullens

Q. That will make this \$491,000. That shows that there is an excess in that year of over \$71,000?—A. Covering the entire time that we have been in business in Canada, and covering both the legal reserve and assessment business, we have collected—that includes some years you have not got there—\$5,417,186, and we have paid to policy-holders—this is both assessment and other policies—\$3,246,061.

Q. That leaves clear about \$3,000,000?—A. \$2,000,000.

Q. Taking your own figures, it would make it very much more?—A. I beg pardon, I have misled myself. The figures that I gave you included the interest. Excluding the interest, the amount collected from policy-holders in Canada was \$5,312,302.03.

Q. That would include the other two years?—A. That includes the whole nineteen years we have been in business.

Q. That virtually leaves \$2,000,000 that has been collected from policy-holders, and now you state that all the money that was on hand is \$228,000. What has become of the money?—A. It has been used for expenses within the Dominion of Canada—\$1,067,303.

Q. Covering what period?—A. The whole nineteen years.

Q. What were these expenses?—A. They were all reported to the Insurance Department of Canada.

Q. What were they?—A. They covered the commissions to agents, collections, taxes, and they covered the general conduct of the business in the Dominion of Canada, the same expenses that any insurance company incurs in transacting its business.

By the Chairman:

Q. It does not cover the amount required for the home management?—A. No, that is the expenditure in the Dominion of Canada.

Q. Apart from what the home office takes from this portion of their business to run it?—A. Yes.

Q. Are you in a position to give an approximate estimate of what it would cost the policy-holders in Canada to run it from the office in New York? I do not suppose you would be in a position to say?—A. I am not now, but I think I could present to you a very succinct statement at the next hearing.

Q. It would cost them something?—A. Oh, certainly.

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By the Hon. Mr. McMullen:

Q. You said that the amount spent in Canada was how much?—A. \$1,067,303.

By Mr. McMurchy, Counsel for the Mutual Reserve:

Q. Does that include taxes?—A. That includes taxes; that is for the nineteen years.

By the Hon. Mr. McSweeney:

Q. I see that the deposits in Canada of stocks, bonds and debentures of the Ætna Life was \$4,298,216; the Equitable, \$8,000,000. These companies seem to have a large amount on deposit.—A. They have done a very large business for a long number of years, a business calling for a fixed reserve.

By the Hon. Mr. McMullen:

Q. You give us the amount of expenses in Canada of running your business during those years, \$1,067,803?—A. Yes.

Q. It has cost you annually to run your business in Canada \$56,174 a year, on an average—is that what it has cost you?—A. I have not the average figure, but I should say that was about the average.

Q. For managing the business in Canada?—A. Yes.

Q. That included legal expenses and everything?—A. Yes, legal expenses and taxes, includes the expenditures in Canada for the transaction of the business. When I stated this morning that \$228,000 was all, I supposed that the gentleman was referring simply to the assessment branch of the business. In point of fact, outside of premiums deferred and uncollected, we had assets in Canada at the end of last year of \$398,678. Of that amount the cost price of deposit with the government and the deposits under our trust deed, was \$262,783. Since then we have deposited \$40,000 additional, bringing the costs of the deposits moneys expended in deposits up to \$303,783, and there was in addition to that about \$136,000 in the banks and loans against policies in Canada which would also come out of this amount. Those are the only sums held specifically and absolutely for the protection of Canadian policy-holders.

Q. In this latter statement you have increased the sum that you say is held for the safety of policy-holders in Canada. This morning when I asked you the question, how much was to the credit of the policy-holders in Canada, and I mentioned the sum that you had in the government's hands, \$228,000, you said 'yes, practically that is all.—A. Yes, I said so.

Q. How is it you contradict that now?—A. I will explain. I say that I understood the gentleman to be referring entirely to the assessment business of the company in Canada.

By the Chairman:

Q. Is there any other business in Canada besides the assessment business?—A. Yes, we have \$80,000 deposited for our legal reserve business, and I was confirmed in that by the fact that the Senator quoted as the amount that was on deposit for the benefit of the policy-holders the exact sum that was on deposit at the end of the year for policy-holders. Therefore, I understood, and was confirmed by that quotation of his, that he confined his questions to the assessment business.

By the Hon. Mr. McMullen:

Q. I ask you straight, you have now an Act before Parliament for the relief of the policy-holders. That does not include any except those on the assessment plan, does it?—A. No.

Q. Now in that Act you propose to set aside, in order to produce your reserve, \$150,000 of the \$228,000 now in the Receiver General's hands. You propose setting

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that aside and you purpose loading the policy-holders with an additional sum to make up the reserve so that you can go on and do business?—A. That is not my Act.

Q. You have read the Act?—A. Yes.

Q. Is that not what the Act proposes?—A. I do not so understand it, no. Aside from that, Mr. Chairman, I beg to say that I took squarely the position on behalf of the company on the first hearing I had on this Bill that we were in the hands of the Government, and the Insurance Department as to what terms they would give in the Bill. We were prepared to assent thereto, so that we are not advocates of this Bill or any other.

By the Hon. Mr. Wilson:

Q. But you are favourable to this Bill. You would proceed to act under it?—A. If this Bill were passed, I presume we would proceed to act under it.

Q. Then you endorse the Bill, and it meets with your approval?—A. It meets my approval with limitation, and I believe it can be, and will be improved before it comes out of the Insurance Department.

By the Hon. Mr. McSweeney:

Q. How will it effect the American policy-holders?—A. There was a point I desire to continue in my answer when I was interrupted. These sums are here specifically for the protection of the Canadian policy-holders. To these sums the American policy-holders could have no recourse under any consideration, or under any condition. On the other hand all the funds held in the United States are for the benefit of the policy-holders and the Canadian policy-holders share in the protection of those funds equally with the policy-holders in the United States. There is the distinction I wish to draw between the specific funds deposited.

By the Hon. Mr. Wilson:

Q. We should have the United States law to ascertain whether you would be held under obligation, and compelled to pay the proportionate share to the Canadian policy-holders, if it was required so to do. You see the company is responsible *pro rata* to divide with the policy-holders of Canada. Is there any law to that effect in New York?—A. The law recognizes but one membership, and it charges us in our liabilities with the present value of the policies in Canada, as well as everywhere else, and that is one of the liabilities that the New York department charges against us, and values these policies yearly to determine what that is.

Q. That is true, but in case of any difficulty would you be compelled under the law of New York to divide up equally or proportionately with the policy-holders of Canada?—A. I could not cite you a decision, but it is so beyond question. I have no question that it is absolutely so, and I do know that our deposit with the Insurance Department of New York, contrary to the condition of the deposit here, is for the benefit of all our policy-holders, all the members of the company, and all the policy-holders, while this deposit here is simply for the benefit of the Canadian policy-holders.

By the Chairman:

Q. That means that a Canadian policy-holder has a double advantage?—A. Yes, no question about it under the law.

Q. He can appeal to the funds in the hands of the Government of Canada, and if those funds are short, he can go to the United States?—A. Yes.

Q. Whilst an American cannot come over here?—A. No.

Q. It is a peculiar arrangement?—A. It is a peculiar arrangement in this regard. In the United States the same condition does not apply as regards a Canadian company.

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Q. Is that law general in the United States, or is it a State law?—A. We have no Federal law with reference to insurance, but it is the general law of the States.

By Mr. McMurchy, Counsel for the Mutual Reserve:

Q. It is not the law in the different states of the Union that a deposit must be put up in that State for the benefit of the policy-holders in that State?—A. No, the one deposit with our home State covers all the States. They receive it specifically, The law requires a minimum deposit of \$100,000, but it requires us to hold assets for the number of policy-holders we have.

By Mr. Chairman:

Q. You do not need special laws for special States to cover that?—A. No.

Q. The New-York law is sufficient?—A. Yes.

By Mr. McMurchy, Counsel for the Mutual Reserve:

Q. Here the government hold the money, whilst in New York they are satisfied to let the company hold the money.—A. The department do not require Canadian companies to deposit money.

By the Hon. Mr. Wilson:

Q. I do not see why the company would consent to allow the funds deposited here should be exclusively for Canadian policy-holders, and the insured in New York cannot get the benefit of the moneys in Canada when the Canadian policy-holders have the benefit of the deposit in New York?—A. I think I can easily answer that. That it was the only terms on which we could get into Canada and when I came into the company I found that condition existing. I do not know that I should assent to it myself now, perhaps, after my experience.

By Mr. McMurchy, Counsel for the Mutual Reserve:

Q. The Mutual Reserve has to put up a reserve in Canada for each Canadian?—A. On the legal reserve plan.

Q. How much of that reserve is given credit for in New York by the Insurance Department in estimating the assets of the Company over their liabilities?—A. Only such portion as is covered by liability on Canadian policies. If we had \$500,000 deposited in Canada and our liabilities on Canadian policies were \$300,000, the \$200,000 would be excluded from our assets to the New York Insurance Department because it is beyond their control and could not be touched for our general policy-holders.

Q. They credit you in New York with the deposit in Canada to the extent that that deposit is required to meet the policies in Canada?—A. Exactly.

By the Hon. Mr. McMullen:

Q. The Hon. Senator Kerr stated the amount of money that was in the hands of the Receiver General as \$228,000.—A. That was the valuation at that time.

Q. And he admitted that it was the intention of the company to set aside two-thirds of it, \$150,000, towards creating the necessary reserve that you should hold in order to enable you to do business. Then on the back of that, in order to make up the balance of the reserve that you required to hold. You said that your insurance in Canada might be cut down probably to \$4,000,000?—A. Yes.

Q. How much of a reserve would you require to hold on \$4,000,000?—A. If the policy-holders accepted the option under which the rate is fixed at attained age at the moment of the change there would be no reserve.

Q. When?—A. The moment the change was made; it would be a new policy.

Q. Without any reserve at all?—A. Without any reserve at all. When the first premium is paid, the net premium on that is the reserve at that moment, and as the reserve piled up it would have to be deposited with the Government.

Q. I understand now that when the change takes place at that moment there is no reserve at all?—A. Yes, because it is a new contract.

Q. And every policy-holder in Canada commences on a new basis with nothing to his credit?—A. Nothing.

Q. Not a dollar?—A. As far as that policy is concerned.

Q. Do you mean all the policies that are now outstanding, and all the policies that would be taken, commence on a new footing?—A. Any policy that accepts the principle of the Bill and takes the insurance at attained age starts new. The Bill gives two advantages. The rates are lower than any company will give in Canada and then again it extends the privilege to every policy-holder without regard to what his physical condition would be. It does not require him to have a medical examination.

Q. To return to that statement you say to us now that if all those policy-holders, when this Bill passes accept the conditions contained in this Bill they virtually commence anew. They have nothing to their credit. The first payment they make is the only reserve they have. As I stated a moment ago you have done business here for nineteen years and during that nineteen years you have collected from your policy-holders the amount you say?—A. I have testified the figures. The figures are correct.

Q. And you have \$2,100,000 of money left?—A. No, I have not.

Q. Where has it gone to?—A. We spent \$1,000,000 odd doing business in Canada.

Q. You have \$1,000,000 left?—A. And I testified that there was nearly \$400,000 of it in Canada.

Q. Where is it?—A. A portion of it in deposit with the Government and a portion with the Toronto General Trust Corporation and a portion in the banks.

Q. Is that to the credit of the policy-holders?—A. It is.

Q. Why do you not give them credit for that money? What are you going to do with that? You say the very moment the policy-holders comply with the provisions of this Bill they commence anew, turn over a new leaf, and nothing to their credit, and the first reserve is the first payment on the policy. Now, you see there is a large amount, \$400,000. What becomes of that money?—A. The money with the Toronto General Trust Company belongs to the legal reserve policy-holders to help to recover their reserve as charged by the Government and required to be deposited in Canada.

Q. It does not belong to the policy-holders who are dealt with by this Bill at all?—A. No.

Q. It was not collected out of them?—A. It was collected from the legal reserve policy-holders, but it is included—

Q. The policy-holders that you profess here to deal with contributed none of the money that is now in reserve unless the \$228,000 in the Dominion Government's hands?—A. They did not.

Q. Then they have no right to credit for that money. Where has the \$2,100,000 gone to? You say there has been \$1,000,000 of it spent in one way and another. There should be another \$1,000,000 where is that? You have shut out the deposit in Canada except what is in the hands of the Dominion Government. You say the assets in Toronto belong to a different class altogether. Where is the money that you collected from assessments on those policies?—A. I have yesterday and I gave again this morning testimony of all the collections made from assessment business independently and the expenditures and the balance over the expenditure. The figures that were brought in include everything paid to the company in the Dominion of Canada both by the assessment policy-holders and the legal reserve policy-holders.

Q. No that is not correct. I have only got down to 1902. You have only been in operation on the legal reserve system since 1901 or 1902. What year did you commence that legal reserve?—A. 1899.

By the Chairman :

Q. You have stated that from all policyholders, whether on the level premium or whatever it is, there has been collected \$5,000,000 odd. Of that amount how much have you collected from policy-holders on the level premium plan?—A. \$371,015.

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Q. That practically leaves the amount in round numbers \$5,000,000. So the business done on the level premium plan in the last five years only amounts to \$300,000 odd?—A. Yes.

Q. Does that million that was spent in Canada include the assessments and the level premium policies?—A. It includes both. The expenses in Canada for the assessment policies for nineteen years—I am talking about nineteen years and he is speaking about sixteen—the expenditures were \$999,865.

Q. Does that include the amount of expenses you have to undergo for the level premium business?—A. No, that is confined to the assessment.

Q. You have collected \$350,000 on the level premium plan: what were the expenses in regard to that?—A. \$67,438.

By the Hon. Mr. McSweeney:

Q. Expenses connected with what?—A. Expenses attending the level premium business.

By the Hon. Mr. Wood:

Q. There is a certain amount of this chargeable to the general expenses in the office in New York?—A. Yes.

Q. What were those figures?—A. The balance between the moneys collected and expended here would, of course, be the amount of moneys—the difference between the moneys collected here and the moneys expended here to policy-holders and expenses and deposits, would be in fact the money that had been contributed towards the general funds of the company at the home office.

Q. And that was some \$700,000?—A. In round numbers, \$730,000; including interest from the policy-holders, about \$730,000.

Q. This whole amount collected from the policy-holders in Canada is disposed of by the amount that was paid to agents, the amount deposited and the amount contributed to the expenses of the home office in New York?—A. Yes.

By the Hon. Mr. McMullen:

Q. The condition of the account at the present moment is virtually this: in 1886 you commenced the Mutual Life Reserve system in Canada?—A. 1885.

Q. In nineteen years you have collected on assessments out of those people that took policies with you something over \$5,000,000. During that time you have paid them back on matured policies under their covenants \$3,000,000, or nearly \$3,000,000?—A. \$3,060,000.

Q. That leaves a balance of \$2,100,000?—A. I make it \$1,972,502.

Q. \$2,100,000?—A. That is not correct, because that carries into the legal reserve business—

Q. Out of that you claim to have paid in Canada altogether for expenses, \$1,067,000?—A. No, \$999,000, confining it to assessment.

Q. That practically leaves a million of money exactly to their credit?—A. 972,635.

Q. Now, out of that million, by your own evidence, there is not a dollar to the credit of these policy-holders, unless the \$228,000 in the hands of the Dominion Government—the other is deposited on account of another branch of insurance altogether. Here are these people who have done insurance business with you for nineteen years, and at the end of that time they have paid the Mutual Reserve one million to conduct their business?—A. And if you can find a company that with \$5,000,000 of premiums collected has returned in that time \$3,000,000 benefit to their policy-holders with a less expenditure, I should be glad to have you bring it forward and show it to me. I do not know of one in Canada or the States.

Q. The difference is this: in stock companies the money that is collected has got to appear in their account to the credit the company has had.—A. So we have got it.

Q. You say you have not got a dollar?—A. I do not.

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Q. The \$228,000?—A. I said that was the only money specifically deposited for the Canadian policies without possibility of recourse by anybody else, but the Canadian policy-holders have the protection of every other dollar of the company's assets, no matter where situated.

(The Committee then adjourned till Tuesday, 28th June, at 10 a.m.)

PART 4.

OTTAWA, June 27, 1904.

The Select Committee of the Senate appointed to investigate the position in Canada of the Mutual Reserve Fund Life Association of New York, met at 8 p.m.

Mr. Aylesworth stated to the Committee that on a former sitting of the Committee a statement was made by Mr. Coster, counsel for the Committee, reflecting on the conduct and action of an official of New York State.

Mr. Coster withdrew the statement.

It has been stated by the Hon. Senator DeBoucherville that he did not see how this Committee could sit under the circumstances, in view of the fact that at the last sitting of the Committee the witness who is now about to be examined, Mr. Eldridge, vice-president of the Mutual Reserve Life Fund Association of New York, declined to answer certain questions put to him by an honourable senator of this Committee: this Committee reported the attitude of the witness to the Senate, and that this Committee asked the honourable Senate to take action in regard to the said attitude of the said witness Eldridge in declining to answer the questions put to him; and that under the circumstances, this Committee cannot deal with or take evidence from the present witness, until the honourable Senate has decided the matter in the first place; that these facts are known to him, Senator DeBoucherville, by what transpired in the Senate itself and that, in his opinion, the examination of the said witness Eldridge cannot be continued, until the Senate has decided in the matter; that the Senate decided to postpone the further consideration of it, till Tuesday the 28th June; that the Senate not having taken action in the matter, this Committee ought not to continue the sittings.

After consideration, the Committee decided to proceed with the investigation.

WITNESS.—Before the examination is proceeded with, the counsel of the Committee asked me to cite the case to which I referred, as decided by the Supreme Court of New York, having a bearing upon the vested rights of reinstatement. It is the case of Dennis vs. the Massachusetts Benefit, 120 New York, page 496. May I be permitted to say personally that there seems to be a misapprehension as to what I offered in the matter of salaries.

By the Chairman:

Q. Probably your attorney can bring it out.—A. No, it is not a matter that can be brought out, but if any member of the Committee objects, I do not insist.

Q. Go on with the statement.—A. There seems to be a misunderstanding as to what I offered. We have before the Committee the record of the official salaries paid each year, as returned to the New York Insurance Department, which requires us to state salaries as distinct from employees, but in different years there were different distributions of offices. That matter was somewhat arbitrarily divided, as would

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necessarily be the case. What I did offer was to designate the officers by name year by year, filling the different positions, and all the compensation that those officers received, so that the Committee would know what officers were covered by the statement of compensation in each year, and state the full compensation of those individual officers, only in the aggregate, instead of the individual. As it is now, they know nothing in this list, as to who the officers are whose salaries are represented by so much money.

By the Hon. Mr. McSweeney :

Q. We have the aggregate?—A. Yes, but they might include different officers and different years. I was willing to designate the exact officers, the president or vice-president, secretary or treasurer. As it is it may include the paymaster or controller or three assistant secretaries, while another year only two assistant secretaries, as the officers vary.

By the Chairman :

Q. That statement does not meet the question put by the hon. Senator. He wanted to know what the president and vice-president, etc., received as salary. Those are the questions which you declined to answer?—A. Yes.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. In view of what is taking place or what has been said, with reference to the work of the Attorney General of New York State, I wish to ask you one or two brief questions in reference to that. You have testified already, I see by the reports, that the report upon the affairs of the company was made by Mr. Vanderpoel, the chief examiner of the New York Insurance Department, at an examination that covered a period of about three months. Will you tell me in the course of business in the New York Insurance Department to whom such a report would go?—A. It would be submitted first to the Superintendent of Insurance under oath by the Chief Examiner.

Q. To the Superintendent of Insurance?—A. Yes.

Q. What would he do with it?—A. He would serve a copy of it upon the company, and appoint a day for a hearing, before himself, at the Insurance Department.

Q. Did he do that in the case of this report of Mr. Vanderpoel of 1899?—A. He did.

Q. What was the next step in the matter?—A. We appeared by counsel before the Superintendent of Insurance, and were heard upon the report.

Q. The company appeared by counsel, did they?—A. Yes.

Q. What next happened, or what happened upon that hearing, in furtherance of this investigation?—A. Various matters covered by the charges were discussed by counsel in that investigation, and after the close of the hearing the sworn report of the Chief Examiner was filed.

Q. Did that full report that you speak of refer at all to the financial position, as to the solvency or otherwise, the actuarial position of the association?—A. It referred to the solvency of the institution as regards its assets and liabilities. It had no reference to the actuarial condition.

Q. But it referred to the solvency?—A. Yes.

Q. Had any question of the solvency of the institution appeared from the report that had been served upon you?—A. The report that was served on us showed the institution to be solvent, with a surplus of assets over liabilities.

Q. At that hearing before the examiner you were represented by counsel. Was there any other counsel present?—A. The counsel of the Superintendent of Insurance was present.

Q. The counsel of the department?—A. Yes.

Q. After that hearing had concluded, what happened next in the matter?—A. There was served upon us a copy of a statement made by the Assistant Actuary, who had also made an investigation.

Q. Had that statement been delivered to you, previously at all?—A. Not until after the first hearing.

Q. You were then given a copy of a report by the Assistant Actuary of the department?—A. We were.

Q. Which you had not had previously?—A. We were.

Q. What then?—A. A date was named for a hearing upon that report, and we appeared before the Superintendent of Insurance for a hearing upon that report.

Q. The second appearance?—A. Yes.

Q. What is the next proceeding in course of business?—A. The Superintendent of Insurance filed a public document, such report as he approved, which was that of the Chief Examiner, Mr. Vanderpoel.

Q. Did he take that course in this case?—A. He did, and the company did by certain remarks, comments and criticisms of his own upon the report.

Q. Extracts from which have been read before the Committee by the counsel for the Committee?—A. They have.

Q. What course did he take with regard to the Actuaries' report?—A. He did not file it as a public document.

Q. They never went upon record as a public document?—A. No.

Q. With reference to the credit which is officially attached, under the laws of your State, to the report and to the comments of the superintendent, let me know the relations in which these officers stand to each other?—A. The Superintendent of Insurance is the official who is appointed for a specific term of years, and under him are the examiners, deputies and so forth. The Chief Superintendent of Insurance was Hon. Louis F. Payn, who occupied the position for three years. The Chief Examiner was Isaac Vanderpoel, who has been connected with the company for twenty-five years—

Q. With the company?—A. With the department.

Q. Has he any connection at all with your association?—A. None whatever.

Q. Or with any insurance association?—A. Oh, none whatever.

Q. I asked you what the relation of these officials was, under the laws of your State, with regard to the official recognition which was given to the work of the one and the comments of the other?—A. Under section 39 of the Insurance clause, the sworn report of the examiner filed after the hearing has been given to the company, becomes presumptive evidence in any action or proceeding under the name of the people against the corporation, its officers or agents, as to the facts stated therein.

Q. Does that apply to a report such as Vanderpoel made in this case?—A. Such as Vanderpoel made in this case, that applies to it.

Q. What is the effect of such remarks on it, as in this instance were made by Payn?—A. It has no standing in law whatever.

Q. That was the end of the charges which were investigated by the department, was it?—A. No, sir. The report of Mr. Vanderpoel, and the comments of the Superintendent of Insurance were transmitted by him to the Attorney General of New York, who examined them and made an official report upon them.

Q. Was that prior to the application to the Attorney General on the part of some dissatisfied shareholders, to which reference was made?—A. It was.

Q. Was it the same Attorney General who acted in one instance that acted in the other?—A. The same Attorney General, yes.

Q. After he had taken his action upon the report of the department, the policyholders laid charges which were, to that extent, a repetition?—A. Yes, that is the case.

Q. And those were the ones he dismissed?—A. Yes, his report to the superintendent on the 13th December, 1899.

Q. Is this a copy of it?—A. Yes.

Q. That is J. C. Davies, Attorney General?—A. Yes.

Report filed (Exhibit 15), reads as follows:—

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(Exhibit No. 15.)

STATE OF NEW YORK,
 ATTORNEY GENERAL'S OFFICE,
 ALBANY, December 13, 1899.

The Hon. LOUIS F. PAYN,
 Superintendent of Insurance,
 Albany, N.Y.

DEAR SIR,—I have the honour to acknowledge the receipt of your communication of the 18th day of September last, and also a copy of the 'Report of the Superintendent and Examiner of the Insurance Department on the Examination of the Mutual Reserve Fund Life Association of New York City,' inclosed therewith.

The fact that your report is not addressed to the Attorney General, and that it contains no special recommendations by you as Superintendent of Insurance to the Attorney General, taken in connection with the opening paragraphs of the report itself, wherein you state that, 'Under the authority vested by law in the Superintendent of Insurance to make public the result of an examination of an insurance company transacting business in this State, whenever in his opinion such publication is to be desired, I herewith publish the report of the Examiner of this Department, upon his investigation of the condition and affairs of the Mutual Reserve Fund Life Association of New York.' . . . 'I believe there are matters connected with the administration of its affairs that form proper subjects for criticism by the Superintendent of Insurance, and that these criticisms should likewise be made public. I am, therefore, of the opinion that it is my duty in this connection to state the following:— "leads me to the conclusion that your report was not made so much for the purpose of calling the attention of the Attorney General to the result of your examination, pursuant to the provisions of the statute, as to give to the public generally, and the policy-holders of the company in particular, the benefit of the information therein contained."

I have, however, assumed that your transmittal of a copy of your printed report to me, contemporaneously with its being given to the public, was to call the attention of the Attorney General generally to the result of your examination, in order that, if he should find that in the 'criticisms' made by your department there are sufficient facts stated to warrant any action on the part of the Attorney General, he might be enabled to take such steps and institute such proceedings as he might deem were best calculated to conserve and protect the public interests involved. With that idea and purpose in view, I have given the report of yourself and your examiner most careful examination and consideration, and the result of which leads me to the conclusion that there are no facts stated in your report which call upon or would warrant the Attorney General in bringing any action against the corporation in question.

Section 207 of the Insurance Law of the State of New York defines the powers and duties of the Superintendent of Insurance regarding his visitation and inspection of insurance companies, as well as those of the Attorney General, and is as follows:—

'207. All corporations, associations and societies to which this article is applicable, with their books, papers and vouchers, shall be subject to visitation and inspection by the Superintendent of Insurance or such persons as he may designate. The superintendent may address any inquiries to any such corporation, association or society in relation to its doings or condition, or any other matters connected with its transactions relative to the business contemplated by this article. All officers of such corporation, association or society shall promptly reply in writing to all such inquiries, under the oath of its president or secretary, or other officers, if required.

'When the superintendent, on investigation, shall be satisfied that any corporation organized under the laws of this State, doing business in this State, of the character defined in this article, is insolvent, because of matured death claims, or other obligations, due and unpaid, exceeding its assets, and death or disability assessments

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or periodical calls made or in process of collection, or has exceeded its powers, failed to comply with any provision of law, or is conducting business fraudulently, he shall report the facts to the Attorney General, who, if he shall be of the opinion that the facts require such action, must thereupon apply to the Supreme Court at a special term thereof, within the judicial district in which the principal office of such corporation, association or society within this State, is located, for an order requiring the officers of such corporation, association or society to show cause, at a reasonable time and place within such district, why such corporation, association or society should not be restrained from continuing to transact business, with power to the court to adjourn the hearing thereon from time to time, not exceeding sixty days in all.'

In the examination of your report, I have, therefore, to ascertain if the facts therein alleged warrant me in arriving at the conclusion that the corporation is:

1. Insolvent.
2. Has exceeded its powers.
3. Failed to comply with any provision of law.
4. Is conducting its business fraudulently.

It will be observed that the basis of any action to be brought against an insurance corporation by the Attorney General is the report of the Superintendent of Insurance. The facts upon which action is brought can be brought to the attention of the Attorney General through no other source than that of the Superintendent of Insurance.

The first, and to my mind the most important, subdivision of this section you answer in favour of the company on page 15 of your report, wherein you state: 'Under the date of May 31, in giving to the policy-holders of the association the result of the examination of its condition and affairs, then just completed, in the closing paragraph of my report I stated: "The result of the examination shows that the association is solvent." A study of the accompanying report of the Chief Examiner compels me now to make the same statement.'

The result of your examination demonstrating the solvency of the corporation, makes the question of determining whether or not the corporation has offended against any of the other provisions of the statute a most important and delicate one. I can conceive of no graver injury that could be done by the Attorney General to the members of a solvent corporation than that which would result from an action brought by the Attorney General against such corporation, unless it was perfectly manifest that the public interests involved could be protected in no other manner.

Assuming as I do that your criticisms are well merited, yet, I am compelled to recognize the fact that notwithstanding the business methods pursued by the officers of this corporation, it has been decided by yourself and the examiner that it is solvent, which is, after all, the question in which the policy-holders of the company are most interested; and even though I fully agree that there is just cause for your criticisms on the former policy of the officers, I am convinced that your report fails to state sufficient facts upon which an action could be predicated by the Attorney General against the corporation under the provisions of the statute.

It is true, as stated in your report, that 'the Superintendent of Insurance cannot be held responsible for the conduct of corporations of this class unless adequate and sufficient powers to protect the interests of their policy-holders are definitely given him in the law.' It is equally true that the Attorney General is powerless to institute or maintain an action against such a corporation unless the facts in the report of the Superintendent of Insurance warrant such action.

Yours very truly,

J. C. DAVIES,
Attorney General.

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And that report which I have just filed was the end of the investigation before the department, if I understood you correctly?—A. It was.

Q. Then the charges that were repeated by the same men in the capacity of policy-holders, at the time you describe, were investigated by the Attorney General, and dismissed?—A. Yes.

Q. One or two questions with reference to the allegation that undue commissions were paid upon the transfer of policies regarding them as new business—

By the Hon. Mr. Béique :

Q. To keep the connection, I should like to ask, how did Vanderpoel, the examiner, come to make the investigation?—A. There is no doubt that the Insurance Superintendent who had made the examination the previous year, intended also to make the examination in 1899. We had requested the department to make such an examination, and almost at the same time, Mr. Wells and Mr. Stevenson had filed their charges with the department irrespective of the fact that these charges had been filed. There is no doubt that the superintendent intended to examine the company. The superintendent has the authority to examine at any time, and does examine once in three to five years.

Q. The fact that I wanted to make sure, was that charges had been made by Mr. Wells and Mr. Stevenson against the company?—A. Yes.

Q. When filed with the department?—A. Yes.

Q. Before the examination was made?—A. Just before the time the examination began, but before the examination itself was made.

Q. When the company was called upon to examine the report as made by Mr. Vanderpoel, were they not given an opportunity of being heard on the report in connection with the charges that they had made?—A. You mean Mr. Wells and Mr. Stevenson ?

Q. Yes, the parties who had made the charges?—A. Not at the time of the hearing after the close of the report.

By the Chairman:

Q. Were they invited to be heard at any time? I wanted to make sure, as a matter of fact, whether, when the company was invited to be heard on the report made by Mr. Vanderpoel, whether these parties who had made these charges were invited to be heard also, as counsel or otherwise?—A. They were not present at that time. It was a statutory hearing, exactly prescribed by law, as to who should be present.

Q. Would you refer to your law in that connection?—A. Section 39 of the Insurance Law of the State of New York reads as follows :

‘Every such examiner shall make a full and true report of every examination made by him, verified by his oath, which report, so verified, shall be presumptive evidence in any action or proceeding in the same of the people against the corporation, its officers or agents, and the facts stated therein. The superintendent shall grant a hearing to the corporation, examined before filing any such report, and may withhold any such report from public inspection for such time as he may deem proper and may, if he deems it in the interests of the public to do so, publish any such report, or the result of any such examination, as contained therein, in one or more newspapers of the state.’

Q. That provision of the law does not prevent the examiner or superintendent from calling the people who made charges at the investigation?—A. No, this is at the final closing of the report.

Q. So that the answer to Senator Beique would be that the Insurance Department sent no invitation to the gentlemen who made the charges against the company to be present at the investigation?—A. Present at the hearing—as far as the investigation is concerned, and the course of action they took at that time, and not in form, except as far as they deal with the officers of the company themselves.

Q. At the hearing?—A. No, what they dealt with at the time of the investigation.

By Mr. Aylsworth, Counsel for the Mutual Reserve :

Q. These charges are dated 17th April, 1899. The examination began, he says, about the 15th May, 1899, and continued until about the 15th August 1899, and was conducted by himself, assisted by about twelve assistants. Then he made his report, which is filed?—A. And the hearing is on the report.

Q. One or two questions about these commissions paid upon transfers treated as new business : You have already spoken about the matter from the standpoint of the policy-holders, that the fifteen-year policies, as you call them, should be replaced by the five or ten-year policies. I asked Mr. Stevenson the other day, if it were not Mr. Harper's course of business, so long as he was president of the company, always to base his assessment on the original age of entry. Mr. Stevenson's answer, as I remember it, was that Harper generally did so, but not uniformly. Can you state what the course of business was?—A. All assessments were based on original age of entry up to August 1, 1895. Harper died on July 2, 1895.

Q. After his death they were always so based?—A. Yes.

Q. You have explained the disadvantage of that system to the other policy-holders of the association, as indeed Mr. Stevenson also did, but with reference to the treating of those transfers as new business, let me know what reason for that existed in the nature of the situation, with regard to the holders of these fifteen-year policies ? What I mean, was there any way you could, as executive of the association, prevent that sort of thing being actually new business if the holder of a fifteen-year policy chose to say he would drop it, and take instead a five-year policy?—A. Of course, a policy-holder, simply because he held the policy on another plan, was not barred from the right of making an application, passing an examination, and taking insurance upon the five-year plan, and, as a matter of fact, in the early attempts at transfers, when we paid less commissions on new business, we found that that was done to a very considerable extent, that the policy-holder would make an application for new insurance, as if he intended to carry both policies, and then when he got his new policy he dropped the old policy, which resulted exactly in what happened when we paid commission upon the business as new business.

Q. If a man applied for a new five-year policy, would the fact that he was at the time of his application the holder of a fifteen-year policy, affect at all your treating the application for the five-year policy as new business?—A. Not as it was accepted, no. It might bear on the question of whether we would grant him the additional insurance as from a moral standpoint, but if it was granted, it would be treated as new business.

Q. Supposing as between you and your agents you had declined to treat the applications for five-year policies where the applicant already had a fifteen-year policy, as new business, what would the result have been from a business standpoint?—A. It would be open for the agent to take the applicant to some other company, so that we would lose the insurance, in case he was able to pass the examination, and that happened in many cases.

Q. Any fifteen-year applicant would be taken by the agent to some other company if he could pass the examination, if you did not give him commission?—A. Yes, and we would be left with the depleted risk—the bad risk.

Q. You added that where the conditions of the five-year policy would be too great in the moral risk, you declined?—A. Yes, we always, in taking the additional risk on the life, had to consider the insurance that is in force in relation to the total amount of risk we would be carrying.

Q. How long was that system of transfers and paying agents' commission on transfers, as on new business, in vogue?—A. Well, about a year and a half. That is the first transfers were begun in the summer of 1896, and we finally terminated at

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the end of 1897, and during all that time we were not paying the commission in full, and I think during none of the time were we paying the commissions as new business, where an old policy had been in force less than five years.

Q. And out of what fund did any payments of commission on first premiums on the occasion of such transfers, come?—A. It came out of the first year's premiums, on the new premiums, just the same as it did on the new business.

Q. Did it affect the mortuary fund?—A. It did not affect the mortuary fund for new business.

Q. At the end of it all, about the end of 1897, you had as the gross amount of the transfers, I think you said, something less than fifteen million?—A. \$14,870,000 odd we transferred during those two years.

Q. Was there any transfer at that time, from your funds, to any other account in respect of those transfers?—A. At the end of 1896, we transferred from the General Fund to the Reserve Fund, which was the fund that was sacred to the payment of policy-holders at the end of 1896, \$15,500 : in 1897, \$47,300 ; in 1898, \$51,500, and the calculation of those sums was based upon the possible interference with the mortuary fund through the transfer of this insurance.

Q. To protect it against any possible loss ?—A. Yes, against any possible loss.

Q. And you say as a result, it was not in fact depleted or affected by the transfers ?—A. No.

Q. Then, upon such transfers treating them as new business, it has been testified that you were paying your agents there 65 per cent, and that there was an overriding commission of 20 per cent. Did that overriding commission affect at all Canadian policies ?—A. It did not. It was confined to policies in the United States.

Q. It had nothing to do with Canadian policies ?—A. No.

Q. The 65 per cent would affect Canadian transfers ?—A. Well, it would to the extent that any agent in Canada had 65 per cent as regular commission. I presume, as a fact that agents operating in Canada did have that 65 per cent.

Q. And that would affect Canadian business ?—A. Yes.

Q. Can you give me any idea of the proportion of this amount of transfers that were Canadian?—A. I cannot, but I know a very small amount was transferred in Canada.

Q. Can you give me the aggregate amount of commissions paid ?—A. It would be a very small amount, because there was a very small amount of business transferred.

Q. Mr. Moss got this 20 per cent on United States business, and had he any disbursements to pay out of it ?—A. He had to pay the expenses of the agents, over and above \$20,000 a year—the expenses outside of commissions.

Q. There was a form of voucher in connection with those transfers, which Mr. Stevenson produced in his deposition—it is Exhibit No. 5—before the Committee. Would you take communication of that document, and explain the memorandum which is at the foot of that voucher? You recognize the document, I suppose, as the former voucher you used in connection with those payments, do you?—A. It is a form of order which Mr. Stevenson, as assistant secretary, having charge of that part of the accounts, was required to give to the auditor of accounts before the credit could be given.

Q. There is appended to it a shorter footnote. Was that a part of the document ?—A. It is a part of the requirements.

Q. And did it appear on the actual vouchers that were used ?—A. It did ; every year that was used.

Q. We have that language repeated in the examination of Mr. Stevenson, and it states that under the terms allowed, the amount of the last call paid on the old policy has been accepted as a part of the premium on the new policy. Explain what that means?—A. When the transfer was made, if the insured, for instance, paid for a half year—was to pay premium for a half year, and the last call which would carry the insurance for sixty days had been two dollars, and the half year was twenty dollars, he

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would be allowed the two dollars as a credit on the twenty dollars ; that is under the payment of the two dollar we would be compelled to carry that insurance for sixty days. He was required, in taking that insurance, to surrender the old insurance so that he would not receive anything for that sixty days unless he was given credit for that call on the premium on the new policy. He had paid it for insurance and the credit was transferred from the policy that was surrendered to the policy that was in force at the time of the surrender.

Q. That was unearned premium which was credited to him as against the new policy ?—A. Yes.

Q. 'Said amount belongs to the agents, who, in their statements, had accounted for the entire premium on the new policy without having credit thereon for the amount of the said last call.'—A. If the premium was \$20, they had received \$18, and they would be required to account the same as if they had received the \$20, and having so accounted they would be entitled to the \$2, which had been credited the agent which he had not paid, but which they had accounted for. It had been paid to the agent and they received back the one payment.

Q. Does this statement mean that that \$2, as you are taking it in a concrete instance, belongs to the agents but only to such agents as have in their settlement accounted for the entire premium ?—A. Only such as have accounted in their entire statement for the entire premium.

Q. The sentence is divided after the word 'agents' by a comma, is that right ?—A. Yes.

Q. Is that the correct reprint ?—A. I think it is. Before that could be done, it was required, by a rule of the association, that this certificate that he accounted for the entire premium should be made, and also that this certificate should be made that the new policy was in so as to end the company's liability on account of the old policy, and it could not be given unless the certificate had been given.

Q. Was it the fact that that last call was given to the agent in addition to their regular commission as on new business ?—A. No, it was part of their sixty-five per cent.

Q. Stevenson said, in his examination, that after preparing a draft of that voucher the agent before Burnham, you also being present, used in his original draft the word 'bonus,' to which word President Burnham took exception. You remember the incident ?—A. I remember there was such an interview over the draft that Mr. Stevenson had prepared in which he used the word bonus, and that the use of it was interdicted.

Q. Why ?—A. Because if it was 'bonus' it would be in addition to the commission, and would be paying the sixty-five per cent of the mortuary call.

Q. You say instead of that being the fact, the opposite was the fact ?—A. Yes, that is why Mr. Burnham objected to the former voucher prepared by Stevenson first.

Q. He did not allow that form to be used and did not allow that thing to be done ?—A. No.

Q. I want to call your attention to a note which Mr. Stevenson appended to his testimony before signing it ?—A. I may say in explanation of my testimony further that the use of the word 'bonus' in payment to agents is sometimes defined as commission. It is a gift. A word constantly used in life insurance.

Q. On page seventeen of the twentieth report of the evidence before this Committee, under date sixteenth June, I find a note over the signature of Mr. Stevenson, which was an objection he made after the conclusion of his oral examination. Would you read that note ?—A. I have read it.

Q. What have you to say with regard to the accuracy or inaccuracy of that statement ?—A. The note reads: 'As soon as the Insurance Department of New York had it brought to their notice that delinquent policies were represented by the company as being in force, they added new lines in the blank supplied to the company, upon which the company were required, under oath, to set forth first policies non-

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delinquent December 31st; second, policies delinquent on which the association's liability continued during delinquency; third, policies delinquent on which association's liability was suspended during delinquency; see sworn report of the company to the Insurance Department in New York, December 31, 1899, page 3.

Q. With reference to that statement perhaps you will repeat in a word a piece of testimony which I see you gave on Friday in answer to Mr. McMurchy, with reference to the investigation of the Department of Illinois, Texas, and some other state, of 1894 and 1895?—A. As I testified, this matter of the delinquent policies was up in 1894 and 1895 and the official report of the four States' examination shows that they took it up and that they knew just how many policies were delinquent at that time, and state also the cause why those delinquent policies were included.

Q. There is a reference in that note which was put in evidence as early as 1894 to what was the practice of New York State?—A. The statement is there.

Q. Are you in a position to say whether or no that is correct?—A. That is correct.

Q. It was then the practice of the Insurance Department of New York State to require you to include delinquent policies as early as 1894 and 1895?—A. I do not mean that they emphatically required us to include them, but when I came there in 1894 I found that these delinquent policies were included and always had been included in the reports of the department. I came there in May, and in September the New York Department began an examination of the company, and during that examination for information as to how I should make the report of 1894, I consulted Judge Spencer, who was the counsel of the department and discussed the question with him as to how I should deal with delinquent policies. He referred to the right of reinstatement and saw no reason why the custom to include those policies should be changed, and advised me to continue to make the report in the same way that they had been previously made.

Q. That was as early as when?—A. That was in the early part of 1894 or early in 1895, when I had under consideration the making of the report December 31st.

Q. What course did you pursue with reference to your reports of your native state?—A. We continue to include those policies as in force in all of our reports, but in the reports at the close of 1897 I voluntarily, after asking permission of the New York Insurance Department, appended a note stating the number of policies delinquent included in the report.

Q. Have you the document before you?—A. It is here at the end of 1897.

Q. I should like to see what information that note conveys to the department?—A. In the schedule itself there was a line 'total policies or certificates in force December 31, end of year.' I starred that item and at the bottom of the schedule put the note 'of this number 6,189 were delinquent and unexpired, right of reinstatement under section 6, article 11, of the constitution or by-law.'

Q. Giving the number of policies but not the amount of insurance?—A. It did not give the amount of insurance.

Q. That footnote is inserted in the report of 1897?—A. Yes.

Q. What has been your habit with regard to it since?—A. It was put in the succeeding reports.

Q. In 1898 does it appear?—A. In 1898 it appeared, and 1899 with the consent of the department I changed the schedule of policies reported. The blank which the department furnished at the close of 1899 was identically the same blank that they had furnished at other times, and had not any reference whatever to delinquent policies where the liability continued or was suspended, but I attached my own schedule and so in this certified copy, certified by the New York Department you will find their blank contains no such provision as Mr. Stevenson testifies to, but the information which he says was required by the department is furnished by a schedule prepared by ourselves and attached thereto, which schedule was consented to by the New York Insurance Department.

Q. And you say it was of your own motion that was done?—A. Yes, and no blank was ever furnished by the New York Insurance Department to the company requiring the item that Mr. Stevenson spoke of.

Q. From that time have you in your reports to your home department included delinquent policies?—A. We made this distinction, including the delinquent, but giving the division of delinquent and non-delinquent, until we were re-incorporated as an old line company in 1902; then we adopted the plan of including our business, as far as New York was concerned, only business actually paid for as of the 31st day of December. That is, the books close with the close of business on the 31st of December, and whatever policies stand on our books at the close of that date as absolutely paid for are included in our report to New York, and none other. That is permitted by New York to old line companies and in every state where it is permitted to report in that manner. Massachusetts and one or two other states require that we shall not only report the paid for but also those that are delinquent and not actually cancelled off the books, and in those states we have to make a report on that form, so that the schedule would differ between the different states.

Q. What portion in gross, in aggregate, of your insurance in force would consist of policies that were in arrear, delinquent policies?—A. Well, it depended on the lapses of the year. Of course, when you came to the year 1898 especially in which they raised the assessment to full attained age the proportion of lapses was much larger than it had previously been and of course there would be a larger proportion of the policies delinquent that year.

Q. Take 1898, if it is the worse one, or one where there are the most delinquents, what is your aggregate insurance as reported in force, and how much of that in dollars and cents would be the outside of delinquent?—A. At the end of December, 1898, there was the insurance paid for and the delinquent was \$269,000,000, and of that \$63,000,000 was delinquent.

Q. That was an unusually large proportion?—A. That is the largest proportion in any year, I think.

Q. How much of that \$269,000,000 of insurance in force, including delinquents, ever did become lapsed or policies that were absolutely delinquent finally delinquent?—A. That would be a question impossible to answer.

Q. You could not put an outside figure upon it?—A. No, it would be simply guess work.

Q. Now, with regard to including policies that are in arrear as live business, what was your situation with regard to the fifteen-year policy that had been in force for a while?—A. Well, there was a provision in certain of the fifteen-year policies that if they had been in force five years or more, the liabilities for death loss continued six months after the failure to pay assessments. If they had been in force ten years it remained for a year. That embraces the policies in this schedule of 1899 as delinquent with the liability of the association continuing.

Q. You have made a separate class of them in that schedule which you have prepared?—A. Yes.

Q. But of the delinquent policies those that were in that shape you were absolutely liable upon for six or twelve months as the case might be?—A. Yes.

Q. That was true of the fifteen-year policies—to what extent?—A. I think there was about half. I should say about half of the fifteen-year policies contained that provision.

Q. What about the ten-year?—A. Well, on examination of the ten years policies, I find that was not included in the ten years policies. My impression had been that in the earlier of the ten years policies that was included, but it was not.

Q. That was a provision of about one-half of the fifteen years policies that became delinquent?—A. Yes.

Q. Stevenson says the including of the delinquent policies in the report as live policies was subject of conversation between you and him and you would not agree to
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it being discontinued, seeing that it had been used some years past. What do you say?—A. I do not think his testimony covers the delinquent policies. I think it covers a column that we did not mark off, cancelled policies and transferred policies and reduced policies. I think that is what his testimony refers to.

Q. Did you and he have such a conversation with regard to such policies?—A. We did not. I never heard of that thing until a year or more after he had left the company.

Q. He says you told him it was an inopportune time to make any change in your habit in that regard?—A. He is entirely mistaken as to that. The matter was not up for discussion between us, and I did not know of any claim that anything of that kind was done until sometime in 1900, and the best proof that he is mistaken is the fact that the charge was not made to the Insurance Department.

Q. That was when he was in the line of making charges. Then you have a report there of the chief examiner in May, 1898, on that subject, I think. Let me see that?—A. There was an examination made in 1898, May 16, 1898, in which he made a report verifying our report of December 31, 1897.

Q. And what is his statement with regard to that subject. Whose report is this?—A. Isaac Vanderpool, chief examiner.

Q. Just read if you please the extract from the report on this question of delinquent policies?—A. It does not refer to delinquent policies specially; it refers to the whole of the report at the end of 1897.

Q. In the December previous to that report of his, what had your return to the department in regard to the delinquent been?—A. It included the delinquent policies and called attention to the fact that they were included.

Q. What did he say in his report?—A. This is dated New York, May 16, 1898, to the Honourable Louis F. Payn, Superintendent of Insurance, Albany, New York, and reads as follows:—

‘SIR,—As per your appointment No. 1,104 I beg to report that I have completed the examination of the Mutual Reserve records of the Mutual Reserve Life Association of New York. The examination gives the condition of the association on December 31st last. This date was taken for the reason that there could be no material change in the association’s total figures as between the close of the year 1897 and the 3rd of March last, at which date the examination was commenced. I have deemed it unnecessary to repeat here the various items going to make up the association’s annual statement of December 31, 1897, as these figures are now on file in all the States in which the association does business and have been or will be published by these States in their annual reports. The examination shows that the company’s last annual statement was substantially correct. The variations in certain of the figures as between those contained in the report and those shown by the examination are so trivial as not to warrant a reference to these differences in this report. The assets and liabilities are set forth in Exhibit F.’

By the Hon. Mr. Béique:

Q. There were two examinations made?—A. Yes. One made in 1898 and one in 1899.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve:

Q. Then the next subject Stevenson speaks of, or he speaks of it in the same connection is, what he calls wrong-doing on the part of the association and it is in these words:—‘Then another way that they included business that was in force was in the matter of reductions. Say a man held a ten thousand dollar policy carried some years, and for reasons of his own wanted to reduce it to five thousand dollars, the new policy was numbered and put through the books, and footed up with the volume of business but the cancelled ten thousand dollar policy was not deducted at that time: consequently, although the man only really carried five thousand dollars, for the time

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being it was reported as fifteen thousand dollars.' Then he speaks next of something else that we have already gone into, his own resignation, and then he says 'Where a reduction had been made, they had carried both policies as business in force, I called Eldridge's attention to that error, so that it could be corrected, but his reply was such as confirmed my intention about that time to get out of the company, to resign. His answer was that that business had been carried before in the annual statement, and that the volume of business for 1898 was not very large, and it was a very advantageous time to make that change, and cut that business out.' And then he adds 'I began to be afraid of losing my self-respect and manhood if I stayed there any longer?'—A. That is the matter to which I referred as saying that Mr. Stevenson states that he called attention to it. No such conversation took place, and I never knew until 1900 that he even made the claim that that was carried. Mr. Stevenson has testified in this same testimony that all matters of transfers and reductions and change of beneficiaries and so forth, came through him, his department, and it was his orders that new policies as reductions should not be issued except upon the cancellation of the old, and in fact, I do not see how, as a practical matter, it could possibly have been done. We must have an application or a surrendered policy for the issuance of a new policy, and he was required upon the issuance of a new policy to certify to the cancellation and the exchange for the old policy, and how it was within even the range of possibility or practicability that such a thing can be done, is beyond my comprehension.

By the Chairman :

Q. That is a very essential point: as a matter of fact, Stevenson swears that when a policy-holder reduced his policy from \$10,000 to \$5,000, the two policies were carried on the books of the company as being in force. The question is one of fact. Is that true, or is it not true?—A. It is not true.

By Mr. Aylesworth, Counsel for the Mutual Reserve :

Q. I read from page 5 of Stevenson's evidence. Stevenson also spoke of what he called fictitious policies, policies that were never intended to be real, as he says, which were signed but not stamped with the revenue stamp, and were ordered to be sent to some particular department. Dr. Bowden—who was he?—A. He was the Medical Director.

Q. Would there be in the routine of your office business, any significance in sending policies to his department?—A. All policies were sent to his department after being issued, in occasional instances, as for instance, where a very large amount of insurance was being carried, there was to be a special investigation before the delivery of the policy.

Q. In the ordinary course of business, would all policies go to him?—A. Oh no. In the ordinary course of business, the policy would not go to him. It would be only in exceptional cases.

Q. In certain exceptional cases, they would be sent to him?—A. In certain exceptional cases, they might be.

Q. Did you ever know of any policies being applied for, and actually written out, which you at any time had reason to believe were not intended to be genuine?—A. These particular policies, concerning which he testifies, it is not open to question that they were issued as he states, and by him sent to Mr. Bowden, and entered upon Mr. Stevenson's books as issued policies, and that they did not leave the office.

Q. And did not, as you have reason to believe, represent genuine insurance?—A. They did not represent genuine insurance, for they never left the office.

Q. Stevenson handed a list in here, which he said was a sample of such work. Let me know the extent of it, and if it ever came to your knowledge?—A. The first I ever knew anything about those policies, was when the Assistant Actuary of that department, in the examination of 1899, called for the list of them, and had the charge

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that those policies had been so issued, and entered into an investigation of that charge; that called my attention to the matter.

Q. Was that the first you ever heard of it?—A. That is the first I ever heard of it.

Q. About what month in 1899?—A. Well, it was subsequent to April, 1899, because the examinations began in 1899. I investigated the facts, and in the hearing before the Insurance Superintendent presented to him the entire facts in connection with the case, as far as I could develop them from the examination.

Q. I should like to know those facts, please, from the beginning?—A. There is the exact statement as it was laid before the Insurance Commissioner of New York.

Q. What is this document?—A. It is an extract from my statement to the Insurance Commissioner at the hearing, and covers that entire charge as made to the New York Insurance Department and investigated.

Q. You have been through this statement, and you know the contents of it?—A. I know the contents of it.

Q. Are those statements therein contained, true?—A. Yes.

Q. And is that your answer to my question?—A. Yes.

Q. This document, which will be marked for identification, reads as follows:

STATEMENT made to the New York Insurance Department in reference to charges made by J. D. Wells and J. M. Stevenson that certain fictitious policies had been included in the return to the department as of December 31, 1898.

In the matter of the eight policies included among the 'not taken' which the examiner states had not been signed, and to which no revenue stamps had been attached, at the time of their cancellation, such a circumstance, while greatly to be deplored, is one that might easily occur in any office where the official in charge of the work of issuing the policies, and specially the official in charge of the Agency Department and the official in charge of the issuance of policies, should unite to permit or procure such an act. It would be manifestly impossible that such action should be immediately discovered, if an attempt was made to conceal it, since the signature of the president to policies is not written and cannot with a large business be written by himself, but is stamped under the direction of the official in charge of the Policy Department. Again, the issuance of policies is reported by such official to the department that makes up the figures of issued and outstanding policies. Such official, by entering such policies upon his regular register, when he knew their fictitious character, would defy detection until some special matter called to the act the attention of the superior officers, or an investigation of this character revealed it.

The small number of the policies thus included in the report, being but eight out of an issue of nearly 12,800, shows that it could not have occurred with the purpose of swelling either the amount of business written or in force, and indicates conclusively that it must have been for other cause. A slight investigation reduces the policies in question to six in number, covering \$170,000 of insurance, for it appears, upon examining the record, that policy No. 340067 on the life of F. W. Dunham, \$2,000, which was an increase over insurance already held, was cancelled by reason of the failure of the Medical Department to obtain a second examination, such examination being deemed necessary by the medical director on information received by him subsequent to approval; and policy No. 347073, H. W. Walker, \$1,000, was cancelled by reason of information received subsequent to acceptance, the risk proving to be undesirable, although on the facts known at time of acceptance it was probably accepted. These two cases are, therefore, cases that might occur at any time, and are utterly without significance.

As regards the other six cases, they all occurred in one agency, and suspicion was aroused that not genuine business was being placed through this agency by the number of applications for a large amount received in the closing week of the year. Immediately upon this suspicion arising, Vice-President Eldridge wired as follows:—

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December 28, 1898.

H. E. WHITE,
 Manager, 126 Tremont St.,
 Boston, Mass.

Only bona fide business desired. Cannot receive any other. Have written.

(Signed) GEORGE D. ELDRIDGE.

This telegram was followed on the same day by a letter stating why the telegram had been sent, and reiterating the desire of the management to have only bona fide business submitted. The balance of this story is contained in the annexed affidavit of H. E. White, marked 'Exhibit C,' the agent in question, to which is attached a copy of the letter of December 28, written him by Vice-President Eldridge. It shows that the authority for writing this business proceeded directly from the then head of the Agency Department, Mr. J. D. Wells, as the possibility of its non-detection was due to the acts of Mr. J. M. Stevenson, the then head of the Policy Department.

The small amount of this business, and the fact that it bears no appreciable magnitude, either to the business written during the year or to the business reported in force at its close, seem to present conclusive evidence that the purpose in view in having this business written was not the padding of the statement, but a motive entirely different from that. That the men who were aware of this course of procedure and directly responsible for its occurrence were the two men who could unite to conceal, for the time being, this course of action, and are the men who, since discharged from the employ of the association, have reported the facts of this business against the management, would seem to indicate very clearly the purpose in view in placing this business upon the books of the association and in permitting an irregularity which is contrary to the whole principle that has actuated the management in the matter of business submitted and written.

In the closing sentence of the paragraph now under consideration, reference is made to the Ten Year Distribution Deposit policy issued on December 31 for \$50,000, which also was 'not taken.' This application came from California, was by an agent who had frequently written policies for a large amount, and presented nothing unusual in character; but, on the contrary, it was accompanied by the medical examination fee, giving colour to the supposition that the business was genuine in character. From investigation since made, the management does not doubt that the application was genuine, and that it was the purpose of the applicant to take the insurance, but circumstances subsequently arose which caused the policy to be returned as 'not taken.'

In summing up, it must be insisted that instances of this kind are unavoidable in a business of the magnitude done by this association; that every evidence is presented of the purpose of the management to countenance only bona fide business, and that the results of this purpose are clearly apparent in the decrease of the ratio of 'not taken' business, notwithstanding the peculiar conditions which would naturally tend to increase such ratio, and further, by the fact already cited, that the 'not taken' business of December was proportionately less than that of the entire year 1898.

Appended is the affidavit of Mr. Homer White. Where is Rockland County?—A. New York.

Q. Then Eldridge's letter to White, December 28th, 1898, and the affidavit of White dated 1st January, 1899. At the time you sent that telegram and wrote that letter, what was the amount of your knowledge or the state of your mind as to these applications?—A. Simply the knowledge that these large applications had been sent in from Boston.

Q. Is Mr. White's affidavit, so far as he testifies to any matters within your knowledge, true?—A. So far as it testified to any matter within my knowledge, it is true. I know the affidavit was submitted to the Insurance Department.

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By the Chairman:

Q. Was Mr. Wells given an opportunity to cross-examine White on this affidavit?—A. No.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. The affidavit was filed, and you know nothing more about it?—A. Yes.

Q. I was asking you what information you had about the matter at the time you wrote the letter and sent the application?—A. Simply the fact that these large applications came in, and had excited attention.

Q. The unusual amount excited your attention?—A. Yes.

Q. Can you say whether at the time you telegraphed and wrote, you were suspicious of something wrong?—A. It struck me as unusual, and I know that a great deal of it—it is done in many insurance companies.

Q. Did you ever know of any instance of it, in your association, except on this occasion?—A. No specific instance, no.

Q. Did you ever know of any instance of it, except the eight policies that are referred to in your own statement and the one from California that you believe was bona fide? Now you think the applicant afterwards changed his mind about taking it?—A. I never found any others, no.

Q. The aggregate amount is about what figure?—A. The aggregate amount of the six policies was \$170. The aggregate amount altogether was a little over \$200,000.

Q. And what was the gross volume of your bona fide business at the end of 1898?—A. About \$200,000,000.

Q. Would an addition of \$200,000 on a volume of \$200,000,000 be of any significance whatever, so far as the company is concerned?—A. None whatever.

Q. To what extent, if to any extent, was there anything fictitious or delusive in the report made to the Canadian Department which covered this period?—A. Well, of course, none of these policies were issued in Canada, and none of these occurred in Canada. We were required, as far as our general business is concerned, to file with the Canadian Insurance Department, a copy of the report made to the New York Department.

Q. When Stevenson was deposing as to these so-called fictitious policies, he was asked whether or not there had been untrue or misleading reports made to the Department in Canada. Are you able to speak on that subject?—A. I know the reports to the Dominion of Canada were correct. Of course, as far as the delinquent policies were concerned—

Q. I am speaking with reference to the so-called fictitious policies?—A. None of the so-called fictitious policies appeared in the report to Canada, so far as Canadian business was concerned, but there was filed with the Canadian Department an exact transcript of the report to the New York Department.

Q. And that would be affected to the extent of \$200,000 or thereabouts by fictitious policies?—A. Yes.

Q. That was true of 1898, and do I understand you correctly that so far as you know, it was not true of any subsequent year?—A. No, it was not, so far as I know.

Q. Either before or after?—A. No, and I will say the actuary of the New York Insurance Department made a thorough examination in regard to the risks on the policies, and I also did, because it fell to my lot to present the matter to the Insurance Superintendent at the hearing, and I prepared myself to present it in full, and did so present it.

Q. Then prior to that investigation of the spring of 1899, the report of 1898 was of course filed?—A. Yes.

Q. Had you gone into that report with any care?—A. I had gone into it with the ordinary care I did with the reports to the Insurance Department of business, and, so far as it was possible to do, I verified the figures, but with the mass of detail there

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is in such a report, it would be impossible for anyone to take them up and verify every figure that is contained in them, especially when you have to make so many reports and within so short a time as we have to make it at the close of the year.

Q. Had you exercised any special attention in that respect, upon the report of the year 1898?—A. Nothing more than the ordinary precautions to see that it was correct.

Q. This matter of these particular policies—how far had it gone, up to the time of making the report of 1898? Had it gone beyond writing the letter and telegram?—A. It had not. The policies had been written, as I understand, and sent to Dr. Bowden's department, and remained in his office.

Q. Did you ever give instructions to dispose of his policies in that way?—A. I never did.

Q. Did anyone superior in authority to Wells or Stevenson, as far as you know?—A. Not that I know.

Q. When did you first hear of it?—A. In connection with the charges made to the Insurance Department in New York.

By the Chairman :

Q. How is it, after these padded policies were sent in to the department, and you wired your agent to send on only bona fide business?—A. I saw the application and I put it as a matter of caution to him, not to put in any irregular business.

By Mr. Aylesworth, Counsel for the Mutual Reserve :

Q. You had that degree of suspicion about it?—A. Yes.

The Committee adjourned till 10 a.m. to-morrow.

OTTAWA, TUESDAY, JUNE 28, 1904.

The Committee met at 10 a.m.

Mr. GEORGE D. ELDRIDGE.—Mr. Béique asked me the other day, when examining me with regard to the salaries paid, if I could explain the sudden increase in salaries, both of officers and employees, between 1893 and 1894, and at the time I could not do so. In 1893, the salaries of officers amounted to \$79,636; in 1894, to \$141,297; salaries of employees in 1893, \$88,542, and in 1894, \$199,647.

Examined by the Hon. Mr. Béique :

Q. And the next year?—A. The next year there was an increase of about \$25,000 in the salaries of employees. That is easily explainable, but the great discrepancy was between 1893 and 1894. As I went there in 1894, I had to look into the matter, and to make the departmental reports here, and I have also had the matter confirmed from New York. You will find under the report of disbursements in the General Report an item of commissions paid to banks and collectors for collecting assessments—you will find, in 1893, that was \$216,326.02. When you turn to 1894, you will find that item was \$59,152.86.

Q. For collecting about the same amount?—A. For collecting about the same amount, and considerably more in 1894 than in 1893. That confirmed me in the opinion that in 1893, the salaries paid at the home office for those engaged in the Mortuary Department—for 1893 and the preceding years, the salaries paid for this in the Mortuary Department, that is sending out assessments and collecting accounts, &c.,—had been charged to collections instead of to salaries, and that in 1894 a change was made. Under collections, they simply charged the collections as commissions

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paid to banks, while the other salaries and home offices were charged as salaries to officers, and have been from that time on. I made an exhibit setting down the salaries of officers and employees, and the amounts paid for collections, and then totalled these three items and I found that they amounted, in 1893, to \$384,504.62, and in 1894, to \$400,096.95, an increase in those three items of \$15,500.

Q. What three items?—A. Officers, employees, and collections.

By the Hon. Mr. McMullen :

Q. That did not refer solely to the Canadian business?—A. No, that was in the whole volume of business.

Q. Why did you make the change?—A. In 1893, I was not in the business; in 1894 was the first. I wired to the home office to find if my interpretation was correct, and I received an answer that it was correct. In 1894, the then Executive Committee gave orders to have a change made, and the salaries paid under that head.

By the Hon. Mr. Wilson :

Q. We could get at it better, if you could name the officers who served in 1893, with the amount of their salaries, if you do not want to give them individually, and in 1894, the number of officers and the amount of their salaries?—A. I have sent for that, and I am in hopes that it will come by mail to-day.

Q. We would then be able to draw from that why the increase in officers' salaries had been so great between 1893 and 1894. Then if we had at the same time, the outside service there was then, the number of employees and the amount of the salaries.—A. That I have sent for and I am in hopes it will be in the mail to-day at noon. If they could get the clerical work through, it will be.

By the Hon. Mr. Béique :

Q. In referring to the exhibit which you say you prepared, we have for officers, employees and collections in 1893 the total of \$384,504?—A. Yes.

Q. And in 1894 the increase is rather small, up to \$400,096?—A. Yes.

Q. I do not see that this accounts for the discrepancy to which your attention was called?—A. These were the salaries charged to the dues account. The salaries that were charged to the mortuary account were after 1893 carried in and made an aggregate of the salaries charged to the dues account, but, prior to that, they were carried into collections, and not in salaries.

By the Chairman :

Q. What do you mean by charging salaries to one account, and dues to another?—A. The constitution requires that the cost of collecting assessments shall be paid from the moneys of the assessments. Those are what we call the mortuary salaries; mortuary expenses, and the business salaries, are paid from the dues account.

Q. It might account for the increase under the head of employees, but I fail to see that it would account for the increase of salaries paid to officers?—A. Some of the officers were charged to mortuary account, and some to dues. Those actively engaged in getting business above those confined exclusively to collections of assessments, &c., were charged to the mortuary account.

By the Hon. Mr. McMullen :

Q. In questioning you on Friday morning, with regard to the gross amount of receipts and expenditures for the New York Mutual Reserve in nineteen years, you gave us the figures first that the amount of collection by assessments was about \$5,100,000?—A. The amount of payments by policy-holders.

Q. Is that correct?—A. The entire collections on assessments amounted to \$5,032,518, but that included interest.

Q. You said the amount which you paid back to policy-holders on matured policies amounted to how much?—A. It amounted to \$3,060,029. This is all on assessment account. It does not take in the legal reserve at all.

Q. That left \$1,972,489. You stated that out of that you had paid \$1,067,303 for expenses in Canada—A. The assessment expenses in Canada were \$999,865.

Q. What portion of that is left? Is there any?—A. There was in Canada, at the end of the year, assessment assets to the amount of \$244,078.

Q. That was in the Government's hands?—A. \$228,000 of it was in the Government's hands.

Q. And where was the balance?—A. In the bank.

Q. Now, you say there was \$972,634 of a balance left after making the deductions you have already referred to, and out of that there was \$244,000, you say, in Canada, of which \$228,000 was in the hands of the Dominion Government?—A. That was the valuation made at that time.

Q. And the balance was in the bank?—A. In the bank.

Q. What has become of the balance that was in the bank?—A. I presume it has been used in payment of death losses. We pay all our death losses here in Canada.

Q. You paid death losses in Canada to the amount of \$3,060,029. What date is that account up to?—A. Up to December 31. It did not include death losses after that date. The death losses were falling due right along, and any money in bank would be used for payment of them, after the first of January.

Q. Now, that would leave \$728,624. The gross amount of expenses due the New York end of the Canadian business for the nineteen years was \$728,546?—A. That was the contribution from the interest and the payments of policy-holders to the New York office towards the general expenses and towards the general fund and towards any contribution to general death claims, or anything of that kind. That was the contribution to the business.

Q. This is a little different from the statement you made on Friday. You will find the difference when you read over the statement.

Mr. AYLESWORTH.—I have been reading it, and I can see no difference.

WITNESS.—On Friday, in the examination, the Senator took simply as receipts the money that had been paid by policy-holders. He states so in his examination of me; it ignored interest. In this item there is included interest, which is \$94,280.

By the Hon. Mr. Wood:

Q. Will you tell us what percentage that was of the total expenses of the Home Office in New York?—A. The expenses in the United States during that period amounted to \$19,554,099.

Q. Can you give the proportion of the amount of business done in Canada and in the United States? What I was getting at was whether the Canadian business paid ratably and according to the volume of business?—A. I may say, Mr. Chairman, that I prepared last night, knowing how difficult it is to discuss figures in this way, a statement showing the entire business of the company, its receipts, payments to policy-holders, disbursements, and the ratio, taking the Canadian business and showing identically the same thing, so as to have it in a succinct form, so as to present the figures, and that will probably be here about twelve o'clock to-day. There will be plenty of typewritten copies of it, so we can have the total figures right before us in the aggregate, where they can be got at much better than in a desultory discussion of it.

By the Hon. Mr. McMullen:

Q. In the interest of your company, it would be well to give us the exact amount paid for policies and the exact amount used for office expenses in New York. On Friday, you will notice, when you examined your statement, there was a very great

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discrepancy between the two. Of course, it is apt to raise doubt as to the accuracy of the statements. I will not challenge them. Possibly you may be correct to-day, but they certainly differ very seriously, and it will be better to be accurate. The question I wanted to get is this: It appears there is an average expenditure in the office in New York for Canadian business. That appears to be the office expenses. Now, you told us the other day you paid \$60,000 a year rent?—A. We pay \$50,400.

Q. What proportion of that rent is charged to the Canadian end of the business?—A. None of it. That is, there is no distribution of the expenses of the company specifically as between the Canadian business and the general business.

Q. You keep all the other items of the Canadian business separate?—A. We keep expenses in Canada separate.

Q. If you keep the expenses in Canada separately, it is a very singular thing you do not charge Canada with a percentage of the rent?—A. We charge Canada with the rents in Canada, but we cannot charge them specifically with any percentage of the home office expenses.

Q. How is the \$38,000 a year used? You charge none for rent. What salaries have you charged to cover that \$38,000?—A. That \$38,000 is the contribution of the Canadian business towards the general expenditure of the company outside of Canada, those of the General Office, but we have not specifically charged to Canada any percentage or portion of that business any more than we would the business of any specific state. We do not keep the accounts separately as with any state or with any country, excepting as far as the expenditures in that country, are concerned, and the balance of the contributions subject to the general funds of the company towards the general expenses, and the meeting of the general expenditures, and towards the accumulation for the general protection of all the business of the company.

By the Hon. Mr. Wilson :

Q. How much of that would you say applied to the salaries of officers in New York in the Mutual Reserve—the Canadian portion of the payment?—A. If you were going to make a complication of that kind, it would be the proportion of that contribution which the salaries of the officers bear to the general expenses of the company the same ratio that the salaries of the officers bear to the general expenses of the company.

Q. You had that fund towards the payment of the officers of the Mutual Reserve, have you?—A. We regard that fund as belonging to the company for its general purposes.

Q. That is not an answer to my question: Did you or did you not use a portion of that money to defray the expenses of the officers of the Mutual Reserve? Please answer yes or no?—A. I do not think it is a question that can be answered exactly yes or no.

Q. Yes, you can tell me if you use a portion of it. I am not asking what amount; I am merely asking do you use a portion of that money to defray the expenses of the salaries of the Mutual Reserve in New York. Yes or no will do me?—A. I do not think it is a question which can be answered plainly yes or no.

Hon. Mr. WILSON.—Well, you need not answer it.

By the Chairman :

Q. The statement was given to Senator McMullen that the company had returned to the policy-holders of Canada, \$3,060,000 out of \$5,032,000 collected. Now, that sum of three millions returned to the policy-holders, does it represent the full amount of the policies held by the policy-holders?—A. Where the claims were proper claims, yes.

Q. A policy is either proper or it is not?—A. That is true, as an abstract proposition, but as a matter of fact, in dealing with insurance business there are many

payments made, and many claims adjusted under which there is no actual legal claim for the amount.

Q. Would you be in a position to give the real amount of policies held by those people who receive them and the difference between the amount they received—the difference between the face amount of the policy and the amount they received?—A. I am having prepared, and expect every mail to receive, a statement policy by policy of all that have not been paid in full. That will give the face of those policies, the amount that has been paid, and show the deduction, and then with the other item—

Hon. Mr. WILSON.—We would not want the details. The total amount of the face value of the policies and the total amount paid at the death of the policy-holders.

By Mr. Coster, K.C., Counsel for Committee:

Q. That is on file here and in evidence, is it not?—A. That does not relate to the Canadian business. It relates to the whole business of the company. This is what I was asked to bring, a list of all death claims in Canada settled or compromised at less than the face value from January 1895 up to the present time. That is what I am having prepared and will produce. I am expecting it every mail.

The CHAIRMAN.—That is the all-important point in the investigation. The face value of the whole of the policies was \$5,032,000, and in many cases the policy-holders complain that when it comes to a settlement, the company scale down a certain amount. That must be explained.

By the Hon. Mr. Beique :

Q. You stated on Friday that you paid for collections of assessments, what percentage—A. Generally two and a half per cent. However, in Canada, it has been very generally five per cent, because of the scattered character of the business.

Q. What would be the average in Canada?—A. I should suppose that the average would probably be less than two per cent, because, of course, there is none of that which is paid on the Home Office.

Q. Can you give us the exact figures?—A. I can give them from the reports since 1894.

Q. For the nineteen years, can you give us the total amounts paid which would not be paid as commission, and would not be included in the expense account?—A. The commissions paid in Canada are included in the \$999,000.

Q. Then the \$728,546, the difference between the amount received in Canada, and paid out in Canada, would represent about 17½ per cent of the total amount of expenditure for the nineteen years paid to officers and employees?—A. There are many other expenses besides that. There would be the rent of the home office, there would be postage, printing, &c. We have to send out six notices a year on all this business to every policy-holder.

By the Hon. Mr. McMullen:

Q. You say there is the rent of the home office: what do you refer to? The rent of the offices in New York?—A. Yes.

Q. You must charge some percentage of that?—A. We have not charged any percentage. We have taken the receipts from Canada in excess of the expenditures and deposits made here, as belonging to the general funds of the company, exactly as the receipts from any state belong to it, and have not kept an account of the general expenses, as charged specially to Canada, or specially to New York, or Massachusetts, or any other state.

Q. Are you prepared to say to the committee, that that \$38,344 a year, was paid for officials in the offices without counting any portion at all for rent?—A. It was used for all the general expenses of the company, the same as any other expense funds towards the general expenses of the company. Some of it would go for rent,
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however, though not specifically be appropriated for rent, and any excess of it over its fair proportion of expense would remain in the general funds of the company which belong as a security to the policy-holders.

Q. You have told us that the total assessments in the nineteen years in Canada amount to \$5,034,000?—A. That is assessments and interest.

Q. Did you collect any special amount from contributors to cover expenses, besides the assessments? Was there a three per cent or five per cent to cover collections?—A. There are annual dues on every policy. Then we levy an assessment with which to cover mortuary expenses and mortuary claims.

Q. Does this sum that you have given us cover the assessments and the annual dues, both?—A. Yes.

Q. It covers everything?—A. Everything.

Q. Everything you get from the policy-holders?—A. Everything we get from the policy-holders and ninety-four thousand dollars odd interest.

Q. You have, I suppose, a large printing expenditure at your head office: what proportion of it, if any, is charged to the Canadian end of your business, that is represented by this expenditure of \$38,344—is there any specially?—A. There is no special charge made as against Canada, for any of those general expenses. It falls in with the receipts of all other countries and states.

By the Hon. Mr. McSweeney:

Q. How do you arrive at the policy by which you taxed the Canadian policy-holders, in comparison with the United States policy-holders for your general expenses? How do you raise the fund of say \$38,000 out of Canada, to defray the expenses in New York? What ratio do you make the collection on? What principle guides you? Is it in proportion to the number of policy-holders or the amount received?—A. The dues are fixed by contract at so much per thousand. The mortuary expenses are a percentage of the total assessments levied.

Q. That is hardly an answer that I could grasp very readily. I wanted to know upon what principle you apportioned \$38,000 as the ordinary expenses to be charged up against the policy-holders of Canada, and what is charged up against the policy-holders of New York and other states. I want to know upon what principle you arrive at the amount of \$38,000 for Canada?—A. This amount is not a sum which is specifically charged for expenses on the Canadian business. There are the receipts from the Canadian business, there are death losses and expenses paid in Canada, and the balance is \$634,000 of assessment and \$94,000 of interest, which simply averages \$38,000 a year. It does not necessarily follow that all that money has been used for expenses.

Q. By that answer you convey to me that you have no principle whereby you apportion the different expenses between Canada and the United States in connection with your company?—A. Not with the general business.

Q. It is simply a lump sum arrived at in a haphazard sort of way: you are taking out of Canada a certain amount, and a certain amount from the United States, just to suit the convenience of your company?—A. Not in the slightest degree.

By the Hon. Mr. McMullen:

Q. You said to us that the gross collection from all the policy-holders in Canada in nineteen years was \$5,033,000 and you say to us that the gross amount paid back to these policy-holders is \$3,060,029. That means, virtually, that you have collected five millions and paid back three millions; that is virtually sixty cents on the dollar, is it not?—A. That is sixty cents on the dollar, virtually.

Q. It took the other forty cents on the dollar to handle the business between the expenses in Canada, and the expenses in New York?—A. There is \$244,000 to come out of that.

Q. There is \$228,000 in the hands of the Dominion Government ?—A. Yes.

Q. Giving you credit for \$244,000, with the exception of that it has taken forty cents out of every dollar that has been paid in by policy-holders to cover the expenses for nineteen years ?—A. It has taken 34½ cents practically. The balance would be \$1,728 in round numbers, and on five millions, that would be 34½ cents.

Q. Sixty-five cents, then, has been returned to policy-holders, and it has taken 35 cents on every dollar paid for the expenses of the company ?—A. Yes, and there is not another company that has been organized the same time and doing the same business, that has done as well.

By the Hon. Mr. Wilson :

Q. That has nothing to do with it ?—A. I think it has, for there is a standard of expenses doing this business, and we cannot arrive at the question whether this company has been extravagant or not, without a basis of comparison.

By the Hon. Mr. McMullen :

Q. You said on Friday, that there was \$228,000 ?—A. I said there was \$228,000 with the Government—\$344,000 including deposits in the bank.

By the Chairman :

Q. You could draw that money deposited in the bank at any time ?—A. We have to pay our death losses.

Q. The \$228,000 is exactly what is in the hands of the Government ?—A. Yes.

Q. What is in the bank, you could draw by cheque to-morrow ?—A. Exactly, and we could bring in money from the United States to-morrow to pay death losses, as we have done.

By the Hon. Mr. McMullen :

Q. That was on the first of January last ?—A. Yes.

Q. Can you give us a detailed statement of what portion is in bank ?—A. No, I cannot give you that. It changes every day.

Q. Can you tell us what bank it is in ?—A. I cannot tell you now, but you can find in the Insurance Department a statement of every dollar in the bank, made under oath.

Q. That is on the 1st of January ?—A. Yes.

Q. And you cannot say what portion of it is there now ?—A. There is a constant change, constant depositing of receipts and paying expenditures. We receive the money in Canada, deposit in the bank in Canada, and leave it here until it is used.

By Mr. Aylesworth, K.C., Counsel for the Company :

Q. Have you prepared a statement from the official returns of the number of other insurance companies doing business in Canada, making a comparison of the amounts received by them from the policy-holders, through a like period of years, the amount expended, and the amount remaining unexpended or to go for expenses ?—A. I have made a comparison of the three companies that were organized just about the time the Mutual Reserve came into Canada, showing the premiums received, payments to policy-holders, and their returns of expenses, but have excluded from expenses, their dividends on capital stock, because our company has no capital stock.

Q. How many of such companies have you tabulated in this respect ?—A. Three. I have prepared and designated the three companies, one, two and three.

Q. Not giving the names ?—A. Not giving the names. I can give the names, but I do not think the names should go on record. Those are the three companies that were organized in Canada, just about the time we commenced to do business in Canada.

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By the Hon. Mr. McSweeney :

Q. But it would not cost as much to do assessment business as old line business ?
—A. I do not know that it should not. We do the same general business—do it by agents.

By the Chairman :

Q. Can you add to this statement this fact: Do these companies pay the full face of their premiums at death?—A. The full face of their policies?

Q. Yes?—A. The same as the Mutual Reserve does, exactly.

Q. Are you in a position to give that evidence? If not, the statement would be absolutely useless. We want to know if these companies pay the full face of their policies at death?—A. The Mutual Reserve pay the full face of their policies at death, every valid claim.

Hon. Mr. DOMVILLE.—There are judgments against the company for non-payment of claims.

WITNESS.—There are judgments in the United States from which we have appealed, and which are being contested in the higher courts of jurisdiction, but as for any final judgment, there does not exist such a judgment. If such a judgment existed, the Insurance Department of New York would be obliged to cancel our license, and put us in the hands of a receiver. I have not the slightest objection to giving the names of those companies. The only reason I did not give them was, that I know figures so compiled are sometimes unfairly used in business. I am quite prepared to give the names to the Chairman.

By Mr. Aylesworth, Counsel for the Company :

Q. Referring to this memorandum that you have prepared, sheet No. 1, have you in mind the company represented by that appellation?—A. I have.

Q. Where did these figures come from that appear in sheet No. 1?—A. They are taken from the blue-books of the Insurance Department of Canada.

Q. For the years set down here?—A. They were.

Q. From 1899 to 1903, inclusive?—A. Yes.

Q. Are those figures correctly taken from the blue-books?—A. They are.

Q. Are the same answers true with regard to sheets No. 2 and No. 3?—A. Yes, except with a trifling variation of the years covered.

Q. Number 2 refers to the period from 1886 to 1900?—A. Yes.

Q. And as the foot-note says, in 1901 it was consolidated with another company?
—A. Yes.

Q. And No. 3 represents the years from 1887 to 1903, inclusive—A. Yes.

Q. Then, you have in mind the three companies that are represented here as Nos. 1, 2 and 3?—A. Yes; they are Canadian companies.

Q. And you are quite willing to state to the Committee, not to go upon the official records so as to be published to the world, the names of these three companies respectively?—A. Yes.

Q. And each one of those figures represents what, in insurance phraseology, is the legal reserve?—A. Yes.

Q. As distinguished from the assessment—A. Yes.

(Filed as Exhibit No. 16.)

EXHIBIT NO. 16.

No. 1.

LEGAL RESERVE.

	Premiums Received.	Payment of Policyholders.	Expenses.
	\$	\$	\$
1889.....	5,354		5,431
1890.....	14,656		10,169
1891.....	22,780	1,000	11,536
1892.....	30,191	5,298	14,582
1893.....	38,296	2,000	15,462
1894.....	44,596	3,534	17,278
1895.....	53,395	4,936	18,790
1896.....	65,565	14,463	23,064
1897.....	70,863	12,695	22,062
1898.....	78,041	14,209	24,765
1899.....	100,014	15,656	34,687
1900.....	109,881	19,367	36,850
1901.....	120,995	33,323	40,029
1902.....	142,559	35,814	44,346
1903.....	149,259	26,475	44,442
	1,046,445	188,770	363,493

Not including dividends to stockholders.

EXHIBIT NO. 16.

No. 2.

LEGAL RESERVE.

	Premiums Received.	Payments to Policyholders.	Expenses.
	\$	\$	\$
1886.....	9,493		14,413
1887.....	36,044	1,000	20,628
1888.....	52,221	18,000	29,410
1889.....	64,891	14,385	28,498
1890.....	77,790	10,507	35,163
1891.....	88,914	20,180	42,206
1892.....	108,221	37,892	42,615
1893.....	116,494	26,609	48,236
1894.....	129,199	34,388	52,494
1895.....	142,448	42,496	56,353
1896.....	151,319	27,342	61,775
1897.....	174,877	55,851	71,214
1898.....	187,318	52,237	71,817
1899.....	215,756	54,163	88,850
1900.....	261,325	68,793	100,045
	1,816,310	463,842	763,718

* In 1901 consolidated with another company.

† Not including dividends to shareholders.

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No. 3.

LEGAL RESERVE.

	Premiums Received.	Payments to Policy holders.	Expenses.
	\$	\$	\$
1887.....	27,185	7,000	20,438
1888.....	117,752	9,650	87,251
1889.....	143,956	60,465	89,158
1890.....	149,563	46,214	70,603
1891.....	184,106	37,869	77,477
1892.....	212,242	55,012	79,497
1893.....	249,087	47,821	95,955
1894.....	267,411	50,069	109,440
1895.....	324,449	50,465	130,778
1896.....	355,149	77,808	136,825
1897.....	384,049	160,087	139,906
1898.....	440,494	116,730	153,723
1899.....	510,561	132,178	144,931
1900.....	579,522	127,665	201,321
1901.....	921,921	234,892	272,163
1902.....	1,054,816	316,557	300,270
1903.....	1,219,436	366,533	353,770
	7,141,702	1,896,965	2,463,526

Not including dividends to stockholders.

By the Hon. Mr. McSweeney:

Q. Are those Mutual or stock companies?—A. Stock.

Q. All three stock companies?—A. All three stock companies. There is not included in the general expenses, any dividends to stock-holders.

By Mr. Aylesworth, K.C., Counsel for the Company:

Q. Are there any assessment companies doing business in Canada that you know of?—A. There are some operating on the fraternal plan, but the nearest that comes to it, is the Independent Order of Foresters, a Mutual Company on the assessment plan.

By the Hon. Mr. McSweeney:

Q. Would they be on a par with the C.M.B.A. and the Independent Order of Foresters?—A. The Independent Order of Foresters does a general business, as I understand. The Catholic Mutual Benefit Association, and I believe all those fraternal organizations, do their business through lodges.

Mr. AYLESWORTH.—I wish to state as briefly as possible, something of the views in virtue of which I took the responsibility of giving to the witness, in my capacity as adviser of the association in this matter, the advice to take the course which he did take before the Committee. I premise by saying nothing was further from my thought, and nothing I am fully persuaded, was further from the intention of Mr. Eldridge, than to exhibit in the least degree, disrespect or contumacy towards this honourable body or the Senate that appoints it, but an inquiry of the amount which each or any individual officer receives by way of salary, seems, to my mind, something that is not in any way necessary to the purposes for which this Committee was according to the mandate of the Senate, investigating the affairs of this association. I have not before me the exact terms of the resolution appointing this Committee, but I understand the wording to be that the Committee was to investigate into the

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position of the Mutual Reserve Fund Life Association of New York in Canada, and assuming that to be the function of the Committee, to investigate the position of that association in Canada, I respectfully submit to the Committee that the purpose of the investigation is fully and completely answered by that which the witness has, under the advice we have given him, offered to do. We are perfectly willing, on behalf of the association, that a statement should be presented to the Committee, a statement under oath, and which is at once capable of verification by the regular officers of the department, if any verification of it other than the oath of the witness is desired, and which should show the amount in aggregate paid to the six leading officers of the association, the six officers holding, so to speak, constitutional offices—that is to say, officers required by the constitution of the association. We thought that such information would answer fully all the purposes for which the Committee was appointed in investigating into the position of the association in Canada. There could be no reason for seeking to individualize the amounts paid to each particular officer, excepting some reason foreign to the purposes of this particular investigation. Now, there are very many reasons, from the standpoint of an association or of an incorporated company, which weigh very strongly against the making and publishing of the exact amount or the particular amount paid to an individual officer, at the head of the association, or any other officer. A number of those have been summarized by Mr. Eldridge in a brief statement he made, and all those notes, I understand, are returned to the House for the information of members. If the whole proceedings leading up to the question which Mr. Eldridge declined to answer, are not to be before the House under the reference that has been made to the Committee I would respectfully ask that they should be, and I submit that they ought to be; because it would not convey any fair representation of the attitude of the witness in this regard, that there should simply be before the House the set questions which were formally asked and in regard to which the formal declining to answer was made. But assuming the whole proceedings are before the House, or will be there capable of being referred to, I ask to have noted as a part of what I am now saying, the reasons given by the witness in the interest of the association, why the individual amounts ought not to be given, and I am stating reasons which impel me to think that the statement in aggregate, such as I have described, would answer every purpose for investigating the association. I merely want to add this: it is a matter certainly within my own experience, a matter in regard to which I think the business experience of honourable gentlemen about this board will bear me out, that such information is very frequently withheld at annual meetings of stock companies, from inquiring shareholders, men who are directly interested pecuniarily in the success of the institution or company in which they have shares, and it is considered generally speaking, by banks, by monied institutions, trust companies, insurance companies, and companies of that nature, that it is not in the interests of the company, as a company, that information of that sort should be made public. I feel exactly in that position with regard to this question. We are, as I have said, taking this position in the exercise of the best judgment we are capable of, considering the true interest of the association in advising against the making public of the individual amounts paid to office bearers of the association. I ask honourable gentlemen to remember simply this, that when I say association, I speak literally of the body of policy-holders—the association is the general body of policy-holders. It is their interests that the Parliament of this country is desirous, as we conceive, to protect, and viewing their interests from the standpoint that we have, and in the light that we are able to bring to bear upon it, it seems to us that it would be decidedly detrimental to the interests of the body of policy-holders, that this information should be given publicity to, while we are perfectly content and submit that it ought to be all that is requisite for the purposes of this inquiry, to give this information in the shape which I have pointed out. My object in making this statement is to get the facts before the House on behalf of the association, supposing it to be the only means of getting it before the House.

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Hon. Mr. DOMVILLE.—I think I understand Mr. Aylesworth to say—and if I did not understand him correctly, I should like him to correct me—that banking and insurance companies do not give at their meetings of shareholders, the amounts of salaries paid to their officials?

Mr. AYLESWORTH, K.C.—I say that frequently such information is withheld.

Hon. Mr. DOMVILLE.—I understood Mr. Eldridge to say that life insurance companies did not.

Mr. AYLESWORTH, K.C.—I say frequently banking and insurance and other companies of that character, withhold such information from even their own stockholders.

Hon. Mr. DOMVILLE.—I understood Mr. Eldridge to say that life insurance companies never did it.

Mr. ELDRIDGE.—I say it is frequently withheld—as a rule it is withheld.

By the Hon. Mr. Domville :

Q. Have you ever heard of the New York Life doing so?—A. I may have heard it.

Q. Have you heard that in 1892, the individual salaries of the officers were made public?—A. I am not disputing it at all. I say as a rule it is not done.

Q. Do you know that the New York Life, in 1892 made public through the examiner of the Insurance Department of New York the salaries of the officers of the company?—A. Is that report here?

By the Hon. Mr. McSweeney :

Q. I think you stated a few minutes ago, in answer to Mr. McMullen, that you had nothing to do with the Bill before Parliament—Bill 'H'.—A. I did not intend to imply that I had nothing to do with it.

Q. You said that the company had not applied for it?—A. It had not.

Q. Here is the Insurance Review, a weekly journal published in Philadelphia, which contains the following :

'We see in a circular addressed to the Canadian members of the Mutual Reserve Fund Life Association of New York in Canada that Mr. Eldridge says its adoption would be a benefit to those members.'

Is that true?

A. I think it is. I think the principle involved in the Bill would be of benefit to the members, but it does not follow that I would say the company would not carry out its contracts in the way they stand. I say we are not before Parliament applying for this legislation, but we do think that the Bill introduced, the general principles therein embodied, would be for the benefit of the general members.

Q. You sent a circular to that effect?—A. We did. It was for the purpose of bringing the Bill before the members, with a view to having an expression of opinion from them.

Hon. Mr. BÉIQUE moved :

'That in view of the statement made by the witness, Mr. Eldridge, and the legal officer of the company that they are willing to give for each year the total amount paid out to the officials of the company, this Committee is of the opinion that that information would suit the requirement of the present investigation, and that a further report be made to the Senate to the above effect.'

Hon. Mr. WOOD.—The only way that we can arrive at any satisfactory conclusion as to whether the salaries that were paid were reasonable would be by a comparison of these salaries with the salaries of a similar class of officials doing a similar

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class of business. That would necessarily lead to an inquiry into the salaries paid by prominent insurance companies in the city of New York. For my own part I have no idea what the amount of those salaries is.

Mr. McSWEENEY.—Pretty good, some of them.

Hon. Mr. WOOD.—I have no doubt they are. It appears to me we arrive, for the purposes of this investigation, at a satisfactory conclusion if we compare salaries in aggregate with the salaries of the same class of officials in other insurance companies, and giving the aggregate salaries paid to a similar class of officials, furnishes a method of comparison by which we can arrive at a satisfactory conclusion as to whether salaries are on the whole exorbitant or not. I do not see what further we can get by ascertaining the salaries paid to individual officials. My honourable friend, Mr. McMullen, stated that this company was in a different position from other companies, because it was insolvent, or, at all events, was not satisfactorily carrying out its contracts with its policy-holders, but after all that does not affect the question. With the information that has been furnished to-day, it does not seem desirable that the resolution which was passed last week should be pressed. At all events the Senate should be in possession of the knowledge that this resolution which has been proposed fairly covers the ground.

Hon. Mr. DEBOUCHERVILLE.—The report of the Committee submitted to the Senate last week has to be considered by the Senate. Now, if the honourable gentleman will strike out this part of his resolution I think it would be improved: 'The Committee is of opinion that the information would satisfy the requirements of the present investigation.' It is not for us to tell the Senate that that is our opinion. We are here to investigate; we are not here to advise the Senate.

Hon. Mr. BÉIQUE.—Suppose the witness this morning should give an answer to the Committee?

Hon. Mr. DEBOUCHERVILLE.—We would have to report it.

Hon. Mr. BÉIQUE.—I am calling attention to the fact that the motion is ridiculous. The question is as to whether the information which has been offered is satisfactory to the Committee. If it is not satisfactory, my motion should be voted down. If it is satisfactory to the Committee, the fact should be reported to the Senate, because it is an essential and important fact which should be before the Senate. The answer of the witness is not a mere refusal; it is a qualified refusal. He says I am not willing to answer the question as put, but I am willing to answer it in another form.

The CHAIRMAN.—And that form the Committee would not accept.

Hon. Mr. BÉIQUE.—We are told that, but the fact is not before the House, and it should be stated to the House. The full statement of the witness should have been brought before the House, so that the House might deal with the matter with all the facts before them.

The CHAIRMAN.—Such was not the opinion of the Committee.

Hon. Mr. DOMVILLE.—My honourable friend perhaps hardly recognizes the fact that that very same information, and in the very same shape, was offered to the Committee last week and declined.

Hon. Mr. BÉIQUE.—But I say it is not before the House, and it should be before the House.

THE CHAIRMAN.—The Committee was not of that opinion.

Hon. Mr. BÉIQUE.—A matter of such importance should not have been taken up when there was a very small attendance of members of the Committee and especially

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when they have spent a couple of days examining the witness. There are present now Senators Watson and Wood who say they were not present when the last report was adopted.

THE CHAIRMAN.—Senator Wood was here.

Hon. Mr. WOOD.—I came in just at the close.

Hon. Mr. DOMVILLE.—At the last meeting this form of offering the information was declined. The Committee put certain questions in writing so that there might be no mistake on the part of the witness in understanding what was wanted from him. We reported the fact to the House and none of us know what the decision of the House is likely to be. Now, we meet to-day and say that we see the error of our way, and admit that we ought not to have done what we did do.

Hon. Mr. WATSON.—That is right.

Hon. Mr. DOMVILLE.—We are asked to stultify ourselves. We will have to state that last week this same information was offered and refused, and that we have since then changed our minds, and we must make an apology to the House as a Committee. I would suggest as an amendment to meet the condition of affairs, that this Committee had a proposition before them at a previous meeting by Mr. Eldridge, which was not satisfactory. Certain questions were put to him which he declined to answer, and it was reported to the Senate. This Committee now regrets having asked him any questions on the subject, and it is stated in the Committee that the policy-holders should not know how their moneys are expended, and requesting the Senate to excuse the Committee.

Hon. Mr. WATSON.—The honourable gentlemen proposes a resolution here which is nonsensical, which is moved as a matter of joke, and he asks that that be reported to the House with the evidence.

Hon. Mr. DOMVILLE.—It is no joke.

Hon. Mr. WATSON.—Does the honourable gentleman mean this Committee to report that the witness should never be asked a question? The honourable gentleman has said repeatedly in the House and here, that one of the important questions was to find how much money was spent in salaries. He asked to have this Committee appointed and now he moves that this witness should not be asked a question by anybody.

THE CHAIRMAN.—For the benefit of members of the Committee who were absent during the discussion of this question last Friday, allow me to read a portion of the report which has escaped their attention. (Report to Senate read). So all the matters suggested by the Hon. Mr. Béique and the Hon. Mr. Watson were fully discussed in this Committee before the honourable Senator moved his motion.

Hon. Mr. WATSON.—But the Senate, who are asked to pronounce on this matter this afternoon, are not in possession of the information.

THE CHAIRMAN.—But this is before the Senate.

Hon. Mr. WATSON.—The report of the Committee is not printed yet.

THE CHAIRMAN.—All that Mr. Béique has called attention to is given in full on the minutes.

Hon. Mr. WATSON.—The amendment of Mr. Béique, if submitted to the House this afternoon, will furnish all the information.

Mr. AYLESWORTH, K.C.—Let me point out that in what you have just read there is no reference whatever to our offer to give this information.

THE CHAIRMAN.—There is no reference to that, but the witness gives the reasons why he declines to answer.

HON. MR. DEBOUCHERVILLE.—I ask that the words which I cited be struck out of the amendment.

THE CHAIRMAN.—The suggestion of the honourable Senator would certainly relieve the Committee of the charge of stultifying itself. All this discussion is going on in the absence of the honourable Senator (Hon. Mr. Landry) who is responsible for the report being made.

HON. MR. BÉRIQUE.—Perhaps my honourable friend, Mr. DeBoucherville, will accept this:

‘That a further report be made to Senate that the witness, Mr. Eldridge, has volunteered to give for each year the amount in the aggregate paid to the officials of the company.’

THE CHAIRMAN.—This method of proceeding will certainly lead to difficulties.

HON. MR. WATSON.—This is not reversing the former decision of the Committee; it is giving certain information which was not included in the former report. Mr. Bérique moves that we report that the witness is prepared to give the salaries *en bloc*. Then it will be for the House to decide whether they are satisfied with the information, or whether they will insist that the witness shall give the salaries in detail. The House ought surely to be in possession of all the information on which they are asked to pronounce. The House ought to have the two propositions before them, so that they may decide whether to accept the aggregate salaries, which the witness volunteers to give, or to demand the individual salaries. It will be for the Senate to decide what should be done, when all the facts are before them.

THE CHAIRMAN.—This matter cannot come properly before the Senate. The Senate has simply to discuss the question whether the witness shall answer the questions as put. If the Senate is not prepared to endorse the action of the Committee, some honourable Senator can move an amendment that the witness be asked for the information *en bloc*. That is the duty of the Senate, not of this Committee.

HON. MR. WATSON.—But if the Senate has no information that the witness will give the aggregate amount of the salaries, a majority may vote to compel him to furnish details. With the report that is before the Senate now, a Senator will have no option; he will have to say whether the witness shall answer the question or not; but if you convey to the Senate the alternative propositions, every Senator will be in a position to decide whether he shall accept one or the other. To decide on this matter without the information that the witness is prepared to give the figures *en bloc* is not fair to the Senate.

HON. MR. DEBOUCHERVILLE.—I suppose you want the Senate to be perfectly informed?

HON. MR. WATSON.—Yes.

HON. MR. DEBOUCHERVILLE.—They would not be perfectly informed, if it were in the aggregate. We might add: ‘But not individually.’

HON. MR. WATSON.—I am speaking now about the information this Committee ought to give the Senate. I am not anticipating what the Senate’s decision shall be.

HON. MR. DEBOUCHERVILLE.—I want this to be put in the report, so that the Senate may see at once that the offer of the witness is, not to answer those questions that were put to him, but to give an answer *en bloc*.

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THE CHAIRMAN.—We have simply to report to the Senate that the witness is prepared to give us half an answer, instead of the full answer which the Committee wants.

Hon. Mr. WILSON.—The House is seized of certain facts in connection with this. The Chairman reported to the House that the witness positively refused to answer the question put to him, and I do not see any necessity for duplicating the report.

Hon. Mr. WATSON.—The Chairman told us that the witness volunteered the other day to give the same information he offers to give to-day, but that has not been reported to the House.

THE CHAIRMAN.—It is on the minutes.

Hon. Mr. BÉIQUE.—I move that a further report be made to the Senate, that the witness, Eldridge, has volunteered to give for each year the amount in the aggregate, but not in detail, paid to the officials of the company, as asked for by the Committee.

The motion was carried unanimously.

The committee adjourned until 8.15 p.m.

EVENING SESSION.

Cross-examination of Mr. George D. Eldridge continued.

By Mr. Aylesworth, K.C., Counsel for the Company :

Q. There is a matter I should like to ask you a question or two about, in view of something which has been said since yesterday. How frequently has an examination of the financial position of your association been made by the department of New York state or by the department in Canada?—A. The department of New York examined the company in the fall of 1884, and the spring of 1895, again in the spring of 1898, again in the spring and summer of 1899, and again in 1902. That covers the examinations since I have been there. They also made an examination in 1885. That was before I was there.

Q. I am speaking specially of the examination to determine your position as to solvency. Is your answer given with that understanding of the question?—A. Yes.

Q. Has there at any time been any similar inquiry or examination on the part of the insurance department of this country?—A. No examination by any one from this department. I furnished this department with the certified copies of examinations made by the New York Insurance Department, by request.

Q. And what, if anything, has followed from the department of this country in that regard?—A. Nothing except a request for furnishing the certified copies which I have done.

Q. Has there been any further examination into your affairs at the hands of our department?—A. The department of this country has at different times addressed us questions in reference to matters. They asked us for instance for a certified copy of the valuation of our real estate as made by the New York Insurance Department, and they have addressed us questions with regard to assessments levied on our Canadian members, also with regard to our liens, &c. Such questions have been addressed to us at different times.

Q. But there has been no organized examination by the department here?—A. No.

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Q. Have you at any time prepared statistics with reference to litigation, claims that were made and litigated by your company?—A. No.

Q. That is a matter of record I suppose with you, and statements could be prepared?—A. It is a matter of record and statements could be prepared, but no special statements.

Q. Are you able to say, from your knowledge of the business of the association, without examining specially for the purpose how the percentage of claims that have been in litigation in your association compare with the like claims of other companies with a similar amount of business?—A. Without examining it closely, I know that at one time statistics of that kind were published by the company, prepared, I think, by Mr. Patterson, when he was connected with the company, showing in less ratio than that of most companies, but my opinion is the ratio was a trifle larger, as would naturally be the case with a company engaged in places where the premiums were small. Any business of that kind naturally seeks the smaller premiums, but nothing materially larger.

Q. Has that feature of your company's business been at any time the subject of inquiry by the department of your state?—A. At each of the examinations which was made, it was inquired into, and the papers connected with the litigated claims, and claims settled at less than their face, were produced for the examiners to be examined by them, and were examined by them.

Q. Each of those examinations you have spoken of by the department of New York state?—A. Yes.

Q. On such examinations would an officer of that department make any inquiry except as to claims arising in New York state itself?—A. Oh, yes, his examination extended to the entire business of the company wherever transacted.

Q. Including the Canadian business?—A. Including the business in Canada and England.

Q. Including claims litigated in Canada?—A. Yes, the entire business of the company.

Q. What was the last of those examinations by the New York Department?—A. One in 1898, one in 1899, one in 1902. I think the one that dealt specifically with it was the one in 1898.

Q. I have here the printed copy of the report of 1898; do you recognize it?—A. Yes, it has been referred to here in this examination before. I think there is a copy of it here. Yesterday I testified to the one of 1898.

Q. This report bears date the 16th May, 1898, by this same gentleman whose name we have heard, Mr. Isaac Vanderpoel as chief examiner for the department, making his return to the Hon. Louis F. Payne, Superintendent of Insurance. I find him saying on page 11 of this report:—

'In verifying the annual statement to December 31 last, the sixty-two death claims compromised or scaled down during 1897 were investigated, and I beg to report that in my opinion the refusal on the part of the association to pay these claims in full was amply warranted by reasons of the fact that where the policy was not clearly lapsed at the time the death occurred there were misrepresentations in the application in respect to health sufficiently misleading to affect the basis of the contract.'

Q. Are you in a position to say anything as to the accuracy or verifying or the reverse of the accuracy of that statement?—A. That is the statement of the chief examiner, made after examining the papers and all the papers connected with those claims were placed in his hands for examination and verification of the facts.

Q. He says there were sixty-two claims during 1897 compromised or scaled down; what does that expression 'scaled down' mean?—A. Reduced.

Q. Why the word scaled? What is the signification of that word? Are they reduced by any proportion?—A. No, just simply reduced.

Q. I thought perhaps it meant something similar to the provision in our Ontario insurance law, that if a man's age was incorrectly stated he would be entitled to the

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amount the premiums he had paid actually would have purchased had his age been correctly stated?—A. There is no such provision as that.

Q. So it means that the claims were compromised or reduced before payment?
—A. Yes.

Q. Are you in a position to say whether the statement that there were sixty-two claims contested in 1897 is accurate?—A. No, I am not.

Q. But that would, you say, include the whole of the business of the company all over the world?—A. His examination covers every portion of our business, whether in Canada, Europe or anywhere else.

Q. I find the last paragraph of Mr. Payne's observations on that report printed in the same pamphlet dated May 31, 1898, in these words:—

'The result of the examination shows that the association is solvent, and pays in full every death claim that is a proper charge upon the mortuary funds contributed by the members, and that in every case of settlement or compromise, the character of the claims has been such as to make it a duty of the management to protect the members against an unjust demand.'

By the Hon. Mr. Wilson:

Q. I want to know the means by which Mr. Vanderpoel would be able to state that it was owing to misrepresentation as to the condition of the health of the insured that these claims were scaled down or not paid in full?—A. The evidence accompanying the papers in each case was laid before him for his investigation—the entire papers and everything connected with the case were put before him to determine the facts.

Q. But those papers were, and those who had been assessed had been reported to the company and reported by the physician of that company before Mr. Vanderpoel examined the books, had they not?—A. Oh, certainly, they were men that had been examined by the examiners of the company.

Q. And then Mr. Vanderpoel ignored the examinations of the various medical examiners in different parts of the United States, Canada and foreign countries, according to your evidence?—A. In the papers that were placed before Mr. Vanderpoel were included the applications, the medical examination and all testimony in regard to the cases that had been gathered and related to the case—examination as well as other papers.

By the Chairman:

Q. But Mr. Vanderpoel had no opportunity to examine personally into the merits of the cases?—A. The people were dead.

Q. He accepted the papers placed before him by the company?—A. He accepted the testimony that was placed before him.

Q. By the company?—A. On which the company had acted.

Q. He simply endorsed the findings of the company?—A. He examined the papers himself. All the papers were placed before him, and he examined them, and reached his own conclusion in regard to the matter.

Q. Is that done to-day?—A. When an examination is made—always, in every case.

Q. So that practically his examination amounts to nothing; it is an endorsement of the papers laid before him by the company?—A. On the contrary, I think it amounts to a great deal.

Q. In what respect?—A. It is a pronouncement of the official authority that is charged with the supervision of the company as to the regularity of its conduct, the regularity of its action in regard to contested cases.

Q. Mr. Vanderpoel does not decide on the merits of any case put before him?—
A. On the contrary, he has decided and certified that they were correct.

Q. According to the documents laid before him by the company?—A. What else could he decide upon?

By the Hon. Mr. Gibson :

Q. As a matter of fact, every insurance company does the same thing?—A. Yes.

By the Hon. Mr. Wilson :

Q. What means had he at his disposal outside of the reports of the company and their books of ascertaining?—A. He had the testimony of the physicians and he had all the papers, including the proofs submitted by the claimants themselves, and everything that a person could possibly have to pass upon such a question.

Q. The certificates of physicians had been handed in upon which the policies had been issued, had they not?—A. Yes.

Q. And the company accepted them?—A. Yes.

Q. And then Mr. Vanderpoel reports that they ought not to have accepted them?—A. Mr. Vanderpoel takes the testimony that was submitted to determine the validity of the claim, examines it himself as an expert who has had twenty-five years' experience in doing that very work for the insurance companies of New York. He has been examiner for twenty-five years and passes on the question of validity.

Q. And you accept Mr. Vanderpoel's statement in preference to the statement of your own officers throughout the country?—A. Not by any manner of means.

Q. The report on which an individual was insured would be before him?—A. He would have all the documents before him.

Q. Is he the examiner of your company?—A. The doctor that examined him, do you mean?

Q. Mr. Vanderpoel?—A. He is the authority charged by the law of New York with the supervision of our business and the determination of whether we are conducting it properly or not.

Q. He is not the medical examiner?—A. He is not the medical examiner, but in those examinations he has medical officers with him, as well as actuarial officers as to the certificates from every branch relating to the business.

By the Chairman :

Q. As far as I can see, what the honourable Senator wants is this: There is a disputed claim. You may take all the documents in your possession before the chief examiner to find out whether you had a right to scale that policy down or to refuse payment?—A. Yes.

Q. Has the claimant all the proof before the chief examiner at the same time?—A. Every bit of it. He is an arbiter between the company and the claimant.

THE CHAIRMAN.—And we are bound to abide by his decision.

By the Hon. Mr. Wood :

Q. This report was made in 1898?—A. Yes.

Q. Of the state of the company in 1897?—A. Yes.

Q. How does the chief examiner in New York arrive at the amount that is required to enable you to meet the policies that are outstanding?—A. That is done by the assistant actuary or the actuary of the department, under the direction of the examiner. Of course, the examiner has the general charge, but the policies of the company are listed by the clerks of the Insurance Department, listed one by one from our books, entered as to amount, age of issue, date of issue, character of policy, and then our cheques by our books; and then the Actuary's Department takes those lists as prepared, and makes the valuation at the Insurance Department at Albany, New York.

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Q. The old-line business that you would have running would be determined in the same way as it is here, I suppose?—A. In the same way as it is here.

Q. You would have a certain amount of reserve, which, if I understand it right, represents the reinsurance value of the policy at the time?—A. Yes.

Q. That is so far as that class of insurance is concerned?—A. Yes.

Q. How would you arrive at the amount the company should have to represent the amount of assessment insurance?—A. Under the law of New York, the assessment business, where the right for additional assessments is retained, and there is no guarantee of any cash values, is to be valued as yearly renewable insurance; that is, the reserve charged against it is one-half of the net premium at attained age at the time of making a valuation. If the table of rates calls for a premium for a year for \$25 on \$1,000, the reserve charged against that policy at any time is \$12.50.

Q. You have to have a reserve equal to one-half year's premium?—A. Yes.

Q. Was that principle fixed by statute, or was it a matter of contract?—A. It is fixed by statute. I think it is section 52 of the insurance law of the State of New York.

Q. So that this chief examiner's report is based upon the condition of your business, valued according to the statute law of the State of New York?—A. It is.

By the Hon. Mr. Wilson:

Q. There was one question I wanted to make a little clearer: Who furnishes Vanderpoel with the papers on which he forms his opinion as to the condition in which the insured was at the time of the insurance?—A. Those are the papers he filed in the office of the company.

Q. Then, it is the members or the officers of the Mutual Reserve who furnish the papers on which he forms his opinion, is it?—A. It is just exactly as all the others.

Q. Are they the ones who furnish the papers? It is easy for you to say they are or they are not?—A. He takes possession of the—

Q. Are they or are they not, if you please? Nothing unreasonable about that question?—A. Nor is there anything unreasonable, it seems to me, in my being permitted to answer a question like that in the way that I would answer it naturally.

Q. You know whether they are the ones furnishing the papers or not?—A. Mr. Vanderpoel takes possession of the office of the company, and the papers are in his possession. If he means, do the officers go and hand over the papers personally? I say no. If you mean, does he go there and take possession of the papers there? I say yes.

Q. Then, you admit that the papers are the papers furnished by the office?—A. They are the records and files of the office of the company.

By the Hon. Mr. Gibson:

Q. You have a regular form of application for your insurance?—A. Yes.

Q. And you have medical agents all over the country?—A. We have.

Q. And they examine your applicants?—A. Yes.

Q. Have you another medical officer at headquarters?—A. We have a staff of medical officers.

Q. Do they sometimes refuse applications that have been sent in by the officers outside?—A. They refuse about one in eight.

Q. So that the applications are filed along with the papers?—A. Yes.

Q. And they remain until the date of the insurance?—A. Yes. It is section 52 of the insurance laws of New York to which I referred a few moments ago. I was not quite sure of the number of the section at the time.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. I want to ask you, with whom, in the conduct of your association's business, rests the decision in any individual case of whether the claim shall be paid without

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contestation, or whether its payment shall be resisted?—A. A claim presented is passed upon by the claims department. The papers are sent to the legal department for attestation as to their sufficiency. They are then brought before a committee of the board and executive committee as the claims committee, and from that committee reported to the executive committee, who passes finally upon the approval for payment or for contestation.

Q. The ultimate decision rests then, in last resort, with the executive committee of the association?—A. Yes.

Q. And that is a body consisting of how many men?—A. Three men.

Q. Are you a member of it at the present?—A. I am.

Q. For how long have you been continuously a member of the executive?—A. I think I was elected first in 1898.

Q. And have been continuously ever since?—A. Yes.

Q. Will you tell me, in that time, has any case arisen in which you have resisted a claim in which you did not honestly believe you had good grounds for resisting?—A. No.

Q. Have you a legal adviser?—A. We have.

Q. Do you consult him upon the question of whether or no a claim that is made should be resisted?—A. We do.

Q. Invariably, or only after deciding. What is the rule?—A. Oh, in the great majority of course there is no occasion to consult the counsel, but, in all cases in which any doubt arises at all, or any question, the counsel is consulted prior to presentation to the executive committee, and in almost all of the cases where a contest arises, or liability of contest, I personally consult the counsel before passing on the question.

Q. Have you been guided by legal advice in your course as to paying or resisting claims that have been made upon you about which there seems a question?—A. We have never resisted a case because our legal adviser advised us to do so; we have paid many cases where the legal advice was that we had good grounds for defence.

Q. I suppose you have not calculated, but perhaps you can tell me without calculation, something of the results of litigation. Have you been invariably successful or invariably unsuccessful or how?—A. Oh, we have had the same results that most everybody has in courts. Sometimes we succeed and sometimes we do not. I think, as a rule—I know, as a rule, that we succeed in a larger proportion of cases than the majority of companies. It happens that that was brought to my attention.

Q. Has there been any instance in which a judgment once recovered and become final by the time for appealing lapsing, or by the appeal being disposed of, your company have not paid?—A. There is not.

Q. Has there been any obligation on your company during your connection with it that has not been paid at its maturity or upon its being established as the result of litigation when it is contested?—A. There has not.

By the Hon. Mr. Wilson:

Q. You have settled all the judgments against you?—A. No, we have some judgments outstanding against us which are pending in appeal and awaiting the decision of the final courts, but any that have been decided by final courts or not on appeal, have been settled.

Q. You make it a rule to appeal as many as you can conveniently?—A. We make it a rule to defend the rights of the policy-holders, who are the proprietors of the association.

Q. You make it a rule to appeal as many as you can?—A. No, sir.

Q. Irrespective of the rights of the policy-holders?—A. No, sir,

By the Hon. Mr. Wood:

Q. With regard to the question of solvency, that report which you spoke of a little while ago, was made in 1896, and, as I understand your statement now, you say that

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the company is still solvent. Do you mean that it is still solvent on the same basis as 1898?—A. The report was then upon the basis of an assessment company. The latest examination by the New York Insurance Department was upon the basis of a legal reserve company, and was then certified as solvent on that basis.

Q. When was that?—A. April 17, 1902.

Q. Is that the statement that is in this printed document?—A. I think so. There is a certified copy of it. It can be filed.

Q. Has a copy of it been filed?—A. I do not know whether a copy of that has been filed. It appears on pages 40 and 41 of the statement submitted to the Senate.

Q. That report covers the entire business in the United States and in Canada?—A. United States, Canada and Europe.

Q. Does that certify to the solvency of the company on that date?—A. Yes.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. The excess of assets over liabilities is put down at \$466,885.48?—A. Yes. He charges in the liability the reinsurance of all policies as the liability, and the \$466,000 is a surplus over and above the amount.

Q. That shows the proportion of losses resisted to losses approved and paid?—A. Yes.

By the Hon. Mr. Wood:

Q. This makes no difference between the assessment insurance and legal reserve?—A. Under our statute, the assessment and legal reserve insurance are all treated as the business of one company.

Q. But the reinsurance value is based upon one principle—that is the old regular business—and the assessment business is based on another principle?—A. It is based on exactly the same principle that renewal term insurance would be based on in an old line company. It is valued exactly as a similar policy would be valued if written by an old line company.

Q. I understand you the value of assessment insurance is one of premium which would be required to meet that year's losses?—A. Yes, and that would be the value of a renewable term insurance. This amendment had to be made to the law to enable the department to charge us with it.

Q. You are charged with one-half the premium?—A. Yes.

Q. But the business that was done on the other basis, the net present value, was first obtained on the basis of the reinsurance value of that business in any good company?—A. Yes, just the same as any other company in New York.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. In that connection, I should like to ask you one question. In this report of 1901, Mr. Vanderpoel reports a total of death losses \$1,125,949, and the portion of that death loss resisted \$85,771.81. How does that proportion of \$85,000 out of \$1,125,949 compare with your experience since you have been connected with the company of the extent to which there has been resistance of death loss claims?—A. I never made a comparison.

Q. Could you say at all whether that is a large or small or fair average?—A. I should say it was about a fair average.

Q. Did your company in the states pay the cost of those investigations?—A. Our company paid them.

Q. What did it cost you?—A. I think the last investigation cost us \$5,700. My impression is it was about that.

Q. The two investigations cost you \$11,000?—A. The one prior to that cost a little more. I think the two cost about \$13,000, that is my impression.

Q. Of course, that was a tax on the funds of the company?—A. Yes.

Q. I want to get down to practical business before five minutes. I do not suppose you know the names of all the policy-holders, but would you be aware of the fact

that there was a gentleman named H. J. Gibson, of Elmira, Canada, a policy-holder in your company?—A. I should not.

Q. I have in my hand a letter addressed by H. J. Gibson, policy-holder?—A. That is undoubtedly the case that I refer to. You asked me if I remember the name, and, with the reading of the letter, it is undoubtedly the case of Gibson against the Mutual Reserve, decided by Mr. Justice Street, which I referred to the other day. The policy was a policy not on the life of Mr. Gibson, but on the life of Mr. Wm. M. Walker, which he had bought and was carrying, Mr. Walker having been in 1888, when he was insured fifty-five years of age, and there is the judgment of Mr. Justice Street in the case.

Mr. AYLESWORTH.—If the letter is filed the judgment should be filed.

Hon. Mr. WATSON.—I move that the letter of Mr. Gibson and the judgment of Mr. Justice Street be filed.

WITNESS.—Mr. Justice Street decided that there was not any contract for that sum.

THE CHAIRMAN.—We are not here to try any particular case, but to find out how the policy-holders are assessed and for what purpose.

Hon. Mr. BÉIQUE.—We are going to deal with matters of this kind. We have witnesses to examine, and I do not think we should receive letters which may be written by suitors. It seems to me neither the letter nor the judgment should be here at all. The company is proved to be solvent, and we have evidence that all the judgments that have been rendered against the company, and it is the right of the company to appeal from the judgments if they think they have a good case—have been paid, and it is for the claimants to force their claims if they consider them good.

By the Hon. Mr. Gibson :

Q. Has the case not been settled in court?—A. Yes.

The CHAIRMAN.—This letter cannot very well go in as evidence.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. Mr. Stevenson testified about a gentleman with the company, Moton D. Moss, or David Moss, and I have understood from you he was a general agent in charge of the United States business. Would you tell me when he came to the company and when he left, as nearly as you can?—A. I think he came to the company in the fall of 1895, and during 1896 was manager of the metropolitan department, the latter part of 1896, being assigned to some work with the general agency department. In the early part of 1898, a contract was made with him as manager of the agency department for the United States, and his connection with the company terminated in July, 1898.

Q. He was with you then during the years 1896 and 1897 and until July, 1898?—A. Yes.

Q. It was stated here by Mr. Stevenson that during the year 1897 Mr. Moss was indebted, to put it in the mildest form, to your company some \$15,000, and he was told by the president to charge it up to him. Can you tell me what the fact is in that regard?—A. During the early part of 1896, after he became manager for the agency department, his accounts as manager of the metropolitan department—some confusion was found in his accounts, which I think, in the judgment of the people that looked into them, rather arose from the mistakes of the clerk who had charge of that part of his business than otherwise, by which some of the premiums which in part, belonged to him and in part belonged to the association, had been carried to his account, and

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the auditors and controller of the company were put to work straightening out the matter, and such portion of the premiums as belonged to the company were charged to Mr. Moss's account, the premiums being credited to the policies to which they belonged. As far as I was able to examine—I have been to the home office but once since this testimony was given, to refresh my memory, the amount charged was somewhat between \$4,000 and \$5,000.

Q. Mr. Stevenson rather put it, if I understood his evidence in chief correctly, as embezzlement on the part of Moss. In cross examination I thought he rather receded from that position, at all events objected to that word. It was treated at all events as a debt, you tell me?—A. It was treated as a debt. He had an open account with the company, a ledger account, and the charges were made against him as against commissions that were coming due to him under his contract, and in every case where the matter came up he rendered every assistance to the company in straightening it out, and I never heard it referred to in any way in the home office as being a defalcation or embezzlement or anything of the kind, but rather a confusion growing out of the inexperience or mistakes of a clerk.

Q. He was entitled to the overriding commission of 20 per cent?—A. No he was not, on that business. But that was business of the metropolitan department, arising in 1896, when he had a written contract as manager.

Q. You had a written contract with him?—A. Yes.

By Mr. Coster, Counsel for the Committee :

Q. Would you produce these contracts?—A. I cannot produce the contracts of 1896. I can produce the contracts of 1897 under which he became general manager. The contract of 1896 I think I have. The contract of 1898 is printed in the volume here that we have.

Q. There were three contracts, were there not?—A. There were two general manager's contracts, and the one of 1896. I have not the contract of 1896, but I am willing to telegraph for it and get it.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. And 1898 is to be found as Exhibit 3 on page 54 of the printed book I have already referred to, being the answer of the association to the insurance department of the State of New York, July, 1899?—A. Yes.

Q. Under those contracts, you say that he was entitled to a certain portion of those premiums which had been received by the company, had not been credited at that time to the various policy-holders, but had been placed to the credit of his account?—A. Yes.

Q. On this irregularity being discovered, the policy-holders were credited with this amount which had been paid?—A. Yes.

Q. And then you proceeded to apportion the amount that had been received, giving to Moss his correct share of the amount?—A. Yes.

Q. That made him a debtor to the company in respect of those premiums, of about \$4,000 or \$5,000?—A. About \$4,000 or \$5,000.

Q. What condition had it come to be in by the following January when this third contract was made with him?—A. He still owed a balance on that account.

Q. Was that balance ever turned into a balance in his favour?—A. There was a mutual discharge of obligations under various contracts when he terminated his connection with the company in July, 1898, and the balances under the various contracts appeared as charges or credits to him, and the company reverted to the annual commissions that were payable to him under the general contract.

Q. Are you able to say whether, as the result of his services and payments for such services he was entitled to according to his contract, he wiped out this balance that Mr. Stevenson referred to?—A. At the time of the termination of the mutual discharge there remained a balance due by him to the company, but there was also

renewal commission due to him under his contract, which was to accrue in the future, of which the company, by this discharge, became absolved and, ultimately, the commissions which accrued under that contract, and would have been payable to him, but for his discharge, fully discharged all his obligations and left a balance to the credit of the company of something between \$40,000 and \$50,000.

By the Hon. Mr. Gibson:

Q. In other words he worked out this debt to the company?—A. By his renewal commissions.

By the Hon. Mr. Béique:

Q. Do you say it left a credit?—A. A balance in favour of the company between forty and fifty thousand dollars.

Q. That he owed the company?—A. That all of his indebtedness to the company, at the time of this discharge of obligations, was wiped out by the commissions that afterwards accrued, and the balance left in favour of the company, over and above obliterating the obligation, of forty or fifty thousand dollars.

By the Chairman:

Q. Was he entitled to it?—A. He would have been entitled to it if the mutual discharge had not taken place, but the mutual discharge taking place, it reverted to the company.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve:

Q. You said a balance in favour of the company—do you mean he owed the company fifty thousand dollars?—A. No, I mean the indebtedness which stood against him at the time the contracts were discharged and a mutual exchange made, was met by commissions afterwards accruing under the contract, which would have gone to him if this discharge had not taken place, so that the company was reimbursed to that amount, and there also accrued on the contract commissions to the amount of between forty and fifty thousand dollars, of which the company got the benefit.

By the Hon. Mr. Béique:

Q. How did he come to give up his interest and right?—A. Because he would rather wipe it out and end up the matter at that time than wait for the accruing commissions. Of course the commissions accrued several years afterwards that followed the mutual discharge.

Q. The commission continued as long as that business remained alive?—A. Continued for five years.

Q. And would be payable on each renewal?—A. Yes.

Q. He left the company's service in 1898, and has he been with the company since at all?—A. He has not.

By the Chairman:

Q. Will he have a right to recover against the company now if he wants to take action?—A. No. Each party absolve all claim against each other on mutual consideration.

By Mr. Coster, Counsel for the Committee:

Q. Did you bring a copy of Stevenson's account?—A. If it will be made up it will come.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve:

Q. Then Stevenson testified that a voucher had been prepared in January, 1898—I do not think he stated by whom it was signed—but something that was within his

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knowledge, a voucher crediting Moss with \$93,810.78. Do you remember the transaction? Can you explain it to us?—A. Under Mr. Moss's contract of 1897, he was entitled to an over-riding commission on the United States business of 20 per cent, and there was charged to him the moneys, and at the end of the year the over-riding commission was calculated upon the basis of it, and a book-keeper's voucher was drawn crediting his account with an over-riding commission which he was entitled to under his contract of 1898, and that amounted to some \$93,000.

Q. Was it ever anything other than what you described as a book-keeper's voucher?—A. No. Up to that time there had stood against him on the books the amounts that had been paid to him as a charge, and with the closing of the books at the end of the year the proper credit had to be given, and that credit was given to him.

Q. Was there any payment of any such specific sum as \$93,000 made to him in respect of that voucher?—A. No. It was simply in effect a certification that the amount of his over-riding commission during the year amounted to \$93,000, and that he was entitled to credit on the books for that sum as against moneys which stood charged to him, and which had been drawn during the year.

By the Chairman:

Q. What moneys would he draw during the year that would be charged to him?—A. Under his contract there was \$3,500 placed to his credit each week, advanced to him by agents, and that stood against him until he had produced vouchers showing advances to agents, when he was credited with the amounts of the vouchers, and the agents were charged from time to time, during the year, who drew moneys on account of his commissions that he was earning, and that would be charged to him. It was on account of the commissions that were accrued.

Q. The \$3,500 a week taken out of the funds to pay agents—did the agents reimburse him. He had the privilege of taking \$3,500 a week for moneys to be paid to the agents in advance of their commission. Did the agents reimburse him in these amounts?—A. The advances were charged to the agents, and the agents reimbursed the company through their commissions.

Q. Practically it was taking out \$3,500 this week to be returned the following week?—A. Not the following week—in the course of time.

By the Hon. Mr. Gibson:

Q. This \$3,500 was paid for commissions on account of the work done?—A. Yes.

By the Chairman:

Q. Outside of his 20 per cent?—A. Yes. It represented the 65 per cent that went to agents. The agents got 20 per cent. He had an over-riding commission of 20 per cent, and the \$3,500 a week was advanced to agents on account of commissions to be earned, and the company received the benefit of that.

Q. These advances were to be reimbursed by these agents out of the 65 per cent?—A. Yes.

Q. If the company gave him \$3,500 to advance to agents, and the agent two or three weeks afterwards, reimbursed that amount, that amount is back into the company?—A. Yes.

By the Hon. Mr. Wood:

Q. Did that apply to Canadian companies?—A. To business in the United States.

Q. To convert in business?—A. To new business. It did not apply to any of the transfer business where the old policies were under five years of age.

Q. To the fifteen-year policy?—A. Yes.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. I want to take you briefly over the matter to discuss so much of Harper's position with the company. When did Harper come to the company, do you understand?—A. In September, 1881.

Q. When was that company organized?—A. February, 1881.

Q. Had it done any business to amount to anything, before Harper joined them?—A. Not to any large amount. In 1881 my impression is it issued about 1,500 or 1,600 policies altogether.

Q. Before Harper came?—A. No, the whole year.

Q. From the time he came, in September, 1881, up to the date of his death, was he continuously at the head of affairs in the company?—A. He was.

Q. There was a contract entered into between him and the company before he joined it?—A. Yes.

Q. Which you said was with the Harper's heirs, or somebody said?—A. The original contract was with Mr. Harper, made by the officers of the company.

By Mr. Coster, Counsel for the Committee :

Q. Is there any way of getting a copy of that document? I believe there was litigation over it and a suit brought?—A. It was adjudicated.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. Under that arrangement, did he get any percentage of the premiums?—A. No, no percentage of the premiums.

Q. He got, you told us I think, so much on each thousand of insurance?—A. So much on each thousand of insurance.

Q. A fixed sum on each thousand of insurance which was to be paid how often?—A. He got twenty cents on each thousand of insurance in each year.

Q. To last how long?—A. To last as long as the business continued in force.

Q. To last as long as that business might continue?—A. Yes.

Q. Without reference to his life?—A. Yes.

Q. That was a contract made in 1881?—A. Yes.

Q. Before you had anything to do with the company?—A. Yes.

By the Hon. Mr. Watson :

Q. As to the particular business secured at that particular time?—A. It was the business written during the time he was a president of the company.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. For all that fourteen or sixteen years of business, he was at the time of his death entitled to be paid 20 cents per thousand each year, as long as that business continued?—A. Yes.

Q. Is there anybody now connected with the company who was connected with it at the time that contract was made?—A. I think Mr. Butts, the present paymaster of the company was the secretary of the company at the time the contract was made.

Q. Is there anybody else?—A. Not to my knowledge.

Q. When you came to the company you found that contract in existence, you say?—A. Yes.

Q. Tell me, from your knowledge of the company's affairs, how much was the most, the largest figure that that contract ever produced to Mr. Harper in any one year?—A. Well, at the time of his death, the amount that would be payable under the contract would be in the neighbourhood of \$60,000.

Q. Per annum?—A. Per annum.

Q. That would be what the contract would call for, from your knowledge of the company's business, what was the largest amount ever paid to Harper in respect to

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that contract in any way ?—A. I cannot tell you the exact amount, but somewhere between forty and fifty thousand dollars, I understand.

Q. Would forty-five thousand dollars cover it ?—A. Yes.

Q. It never exceeded \$45,000 ?—A. Not as far as as I am informed.

Q. What became of the remainder of it ?—A. He, at the end of each year, released any remainder to the company in consideration of their fulfilling the contract in future years.

Q. That he did year by year while he lived ?—A. Yes.

Q. What about his salary at that time, when he was getting this commission ?—A. There was provided by the contract, in addition to the twenty per cent, a salary of \$200 a month to be paid from the dues as any surpluses arose over and above the expenses of the company; but at least within any time that I was acquainted with the facts, he never drew for salary and commission an amount equal to the amount that would be produced by the commissions under the contract, but in earlier years I presume he did, but it was comparatively small.

By the Hon Mr. Wilson :

Q. Have you any idea how much he had received by commissions and \$200 a month ?—A. No, I never have made any calculation of it. He died within a little over a year after I came to the company.

Q. Would his commissions be equal to his salary, \$200 a month ?—A. Yes, his commissions at the least were equal to about \$60,000 a year, and my impression is he was drawing between forty and forty-five thousand dollars a year at the time of his death.

Q. That would be salary and all, and releasing the company as you say ?—A. Yes.

Hon. Mr. BÉRIQUE.—Did Mr. Stevenson say that he had \$25,000 a year besides ?

Mr. AYLESWORTH, K.C.—Yes, that is what I want to correct.

By the Hon. Mr. Wood :

Q. Did he never get that amount ?—A. The last years, as far as those years came under my observation, he did not draw an amount equal to the commissions on the contract—what I mean by drawing, including any salaries paid him.

Q. Was this \$25,000 salary named in the contract ?—A. No, the \$25,000 salary was simply a payment as they went along on account of the commissions. They were accruing under the contract, and then the general supplement afterwards.

By Mr. Coster, Counsel for the Committee :

Q. It went on the books as salary ?—A. Yes, it went on the books as salary, but it was part of the commission, and then a settlement at the end of the year.

By the Hon. Mr. Wilson :

Q. It was part of the commissions ?—A. Yes.

Q. You gave him \$25,000 and then you guaranteed the extra ?—A. No, he was on the pay-roll for \$25,000 that he drew weekly with other officers, and then towards the end of the year calculations were made on account of the commission contracts, and he drew some additional amount that brought it up to about \$40,000 a year, and discharged the company of the balance.

By the Hon. Mr. Watson :

Q. He would be charged with \$25,000 and credited with the commissions ?—A. Yes.

By the Hon. Mr. Wood :

Q. What do you mean by having that \$200 a month ?—A. The original contract called for 20 cents on a thousand of insurance.

By the Hon. Mr. Béique :

Q. You used the expression '20 per cent' ?—A. I meant 20 cents on the thousand dollars, and two hundred a month salary to be paid out of the dues.

By the Chairman :

Q. Why was the salary not paid, and 20 cents on each thousand ?—A. I presume in the early part of the history it was done, but towards the latter part, when the commissions got large, he simply drew altogether somewhere between \$40,000 and \$45,000.

Q. Then, to your knowledge, whatever experience he had of the company, while you were there and he there, the original contract of \$200 a month was set aside, and he drew his commissions ?—A. He drew his commissions.

Mr. AYLESWORTH, K.C.—Not set aside, but he got his commission.

By the Chairman :

Q. But in your time, he was on the pay-roll, with a salary ?—A. Yes.

By the Hon. Mr. Gibson :

Q. When the company was first started, was not this \$200 a month a sort of guarantee or pledge that he would at least have that ?—A. I presume that was the need of it being placed in the book, because when he went in there the entire assets of the company was about \$6,000, and the entire business force would not produce more than \$3,000 on the commissions, if it would have produced that—in fact, the company was just starting.

Q. But he never drew any commissions afterwards, except the 20 cents a thousand ?—A. No.

Q. And the twenty-five thousand was paid on account of his commissions, and the balance due him was paid at the end of the year ?—A. Yes.

Q. But he did not get \$45,000 commissions and \$25,000 besides ?—A. No.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. Would your knowledge of the affairs of the company at that time enable you to say what use he made of this large amount, whether or no he made any disbursements out of it for the company's benefit ?—A. Oh, every one that knew Harper knew that he spent money with the freedom of water almost, and that if he wanted to make an expenditure for the interest of the company, for two or three thousand, he made it out of his pocket if he had it. He was a man that never counted money as belonging to him, for his own special purposes—his heart was bound up in the Mutual Reserve. He gave his life to it.

Q. He spent large sums in the interest of the company ?—A. Yes.

Q. That was a contract that you found yourself saddled with when you joined the company ?—A. Yes.

Q. And Harper left a few months after you went into the company ?—A. He left a little over a year. He was sick the last six months.

Q. Then before referring to the disposition he made of that very disadvantageous contract, as it had turned out, let me know out of what fund those large payments to him came ? Did they come out of the mortuary fund at all ?—A. No, they were made out of the annual dues of the company.

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Q. Did they touch the mortuary fund?—A. No.

Q. Was the mortuary fund in any way affected by it?—A. No.

Q. His will has been put in evidence here. Before referring to the disposition of property that he made in it, I want to direct your attention for one minute to the statement that Mr. Coster asked you in regard to it, appearing on page 12 of the memorandum which you have signed, that was laid before the members of the Senate. In that paragraph you say, 'It is absolutely untrue, as charged, that the late president willed any proxies held by him to the present president, or that any proxies given to the former president had ever been voted to the present president of the company.' Will you let me know what is the reference in the words 'as charged'?—A. They are specially stated on page 164 of the 'Hansard' of Parliament, April 25, 1904, where it says, 'When Mr. Harper died, he left the proxies to Mr. Burnham, and he uses those proxies, and nobody can get possession of that institution.'

Q. That is the charge you were combating?—A. Yes.

Q. That the proxies were used so that nobody could get possession of the institution?—A. Yes.

Q. Is it the fact, that any proxies which were in Harper's name or possession at the time of his death were ever used after his death, under any disposition of them attempted to be made by his will?—A. No, they were never used.

Q. You used the expression in this paragraph I have just read to you: 'It is absolutely untrue that the late president willed any proxies held by him to the present president.' Have you anything to say as to the meaning you intended to convey by the word 'will'?—A. Simply that I was covering that charge, and used it in the way of transfer by will. I regret the ambiguity, and must leave the expression with the Committee.

Q. There was a dealing with them by the will, or an attempt to deal with them, and you say they were not in fact transferred. Had you any intention in making a statement to mislead anybody?—A. No. I simply intended to deny the fact, that through the proxies left by his will, Mr. Burnham was made president of the company, and retained control. That was the purpose I had in my mind.

Q. On Mr. Harper's death, his will disposed of his beneficial interests in this contract, giving one-third of the proceeds of the contract to his widow, one-third to other members of his family, and one-third to the company, upon condition that Burnham became his successor?—A. Yes.

Q. What about the one-third to his widow?—A. It has been paid as it accrued from that time up to the present time.

Q. What does it amount to now?—A. It amounts to about \$300 a month now.

Q. She is still getting in the neighbourhood of \$3,500 or \$3,600 a year out of it?—A. Yes.

Q. Is it increasing, or remaining stationary, or what?—A. It is decreasing as the business decreases.

Q. And will ultimately expire with the business?—A. Yes.

Q. Then the third that went to members of the family; what did you do about it?—A. There was ultimately a settlement with them, and their interest was bought by the company, and cancelled.

Q. You bought them all?—A. Yes.

By the Chairman:

Q. How much was paid to commute?—A. My impression is, about \$30,000. I think I can give you the figures to-morrow.

Q. Are you able to say in the light of subsequent experience whether it was an advantageous settlement to the association?—A. It was an advantageous settlement.

Q. Then the other one-third was bequeathed by him to the company you say?—A. Yes.

Q. On this condition, which was complied with by Mr. Burnham being elected his successor?—A. Yes.

Q. What was done with it, when the company became entitled to it under his will?
—A. It simply remained there.

Q. It was a debt owing by the firm to itself?—A. Yes.

Q. And was it dealt with at all by the board?—A. The board established a contingent fund.

Q. In respect of it?—A. A fund to be drawn from the funds which were placed at their disposal.

Q. Have you a copy of the resolution showing the action of the board with regard to it?—A. This is a copy of it.

Q. The resolution of the board, February 19, 1896, Exhibit 18, reads as follows:—

(Exhibit 18.)

February 19, 1896.

The regular adjourned meeting of the board of directors of the Mutual Reserve Fund Life Association was held pursuant to notice and adjournment on Wednesday, February 19, 1896.

Present.—Directors: Frederick A. Burnham, president; Octavius D. Baldwin, James W. Bowden, Horace H. Brockway, George Burnham, jr., George D. Eldridge, George W. Harper, William H. Hume, James D. Wells, George H. Wooster, John W. Vrooman.

President Burnham in the chair; Charles W. Camp, secretary.

President Burnham retired from the room, and Vice-president Baldwin assumed the chair.

On motion of Director William H. Hume, seconded by Directors Wooster and Bowden, the following preambles and resolution were unanimously adopted:—

Whereas,—In and by the last will and testament, the late Edward B. Harper gave and bequeathed to this association one-third of the income (payable from the dues account as it shall accrue) belonging to him and his legal representatives or assigns under the contract made with him by the association prior to his accepting the presidency, through which contract his great services were secured to this institution; and

Whereas,—In the administration of the affairs of an institution of the magnitude of the Mutual Reserve Fund Life Association, and in the care and advancement of its interests, there necessarily are imposed upon the president many items of expenditure which would be unjust to require him to meet personally, the proper provisions for which call for the establishment of a fund from which the same may be met; and

Whereas,—It is within the knowledge of members of the board that such items of expenditure which have fallen upon the present president of the association since his election to his office, have exceeded the moneys actually drawn by him as a salary, thus inequitably depriving him of compensation for his devotion of time and service to the institution, and

Whereas,—By the generous act of our late president there is placed at the disposal of this board an item of annual revenue which otherwise would have been paid out as it accrues under the terms of said contract, which gift was designed by the donor to be used in advancing the interests of the association, which he ever held so dear; therefore

Be it resolved, That the moneys derived from said gift, both those already accrued and those which shall hereafter accrue, be, and the same are hereby constituted, and directed to be paid into, a separate and special fund or account, to be held and used as a contingent fund, and that said fund be, and is hereby placed under the control and at the disposal of the president of the association, to be paid over to him from time to time as he may require upon his order and receipt therefor, for the purpose of meeting those items of expenditure, both already made and those which in his discretion it shall seem advisable and proper to make hereafter, which do not fall under the ordinary routine or departments of the business of the association, but which are,

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nevertheless, desirable and necessary to be made in the advancement of the interests and good of the institution, its business and its membership.

(Seal.) I hereby certify that the above is a true and correct transcript of preambles and resolution unanimously adopted by the Board of Directors of the Mutual Reserve Fund Life Association, at the regular adjourned meeting held on Wednesday, February 19, 1896.

CHARLES W. CAMP,
Secretary.

By the Hon. Mr. McSweeney :

Q. What was the largest amount given to him ?—A. I should say probably \$15,000 a year.

Q. Not as much as twenty ?—A. I do not think it.

Q. That would be a third of sixty ?—A. There was always business that was not paid for, and it was only as the business was actually paid for that the commissions were given.

By Mr. Coster, Counsel for the Committee :

Q. He did not get the commissions on the delinquent business ?—A. No, only when the dues were actually paid.

By the Hon. Mr. Gibson :

Q. Did the company consider the payment to Mr. Burnham of sixty thousand dollars an excessive sum ?—A. No, I do not think sixty thousand dollars, on the scale of salaries paid in New York, is an excessive salary to be paid a president.

Q. What is the salary of the president of the New York Life ?—A. I do not know. There are rumours about it, but I understand it is about \$100,000. His is the least of the three big ones.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. Are you able to say whether Mr. Burnham, since he became president, has drawn any portion of that contingent fund for his own personal benefit ?—A. I know that he has expended whatever he has drawn from that contingent fund for the purposes of the association.

Q. That is something within your own knowledge, as a matter of acquaintance with the business of the institution ?—A. Yes.

Q. That he has expended all that he has taken from that fund ?—A. Yes.

Q. And not taken out for his own benefit ?—A. No.

Q. You remember the occasion of that resolution I have just read being considered by the board ?—A. Yes.

Q. The minutes record the presence of Mr. Wells among the others. Do you remember what attitude he took in the board on the subject at the time ?—A. I know there was no adverse vote to the resolution.

Q. Was there any discussion of it ?—A. I have a general impression that there was a discussion of the matter, but as for recalling the particulars of it, I could not, at this distance.

Q. Under that resolution has Mr. Burnham ever taken anything except his salary, which is not, of course, touched by it, from the funds of the institution ?—A. For his own personal use, no.

Q. That resolution was passed in February, 1896, the bequest having come to the association in the previous July ?—A. A year from the previous July.

Q. 1895 ?—A. Yes.

Q. And this was in February, 1896 ?—A. Yes.

Q. How long did that fund continue, as provided by that resolution ? What is the next occurrence in regard to it ?—A. The next occurrence was the presentation of a report by the president, on August 3, 1898, to the board.

Q. That is dated August 3, 1898, the regular board meeting, and reads as follows —

(Exhibit No. 19.)

August 3, 1898.

The regular adjourned meeting of the board of directors of the Mutual Reserve Fund Life Association was held, pursuant to notice and adjournment, on Wednesday, August 3, 1898.

Present.—Directors : Frederick A. Burnham, president ; Octavius D. Baldwin, Hillary Bell, George Burnham, jr., George D. Eldridge, George W. Harper, William H. Hume, James D. Wells. President Frederick A. Burnham in the chair; Charles W. Camp, secretary.

The president presented a report and statement of and concerning the contingent fund, which was created and placed at his disposal by resolution of the board of directors, dated February 19, 1896, and the expenditures made thereunder, and upon his request, and on motion of Vice-president and Director Eldridge, seconded by Vice-president and Director Wells, the matter of said contingent fund and the account of the expenditures therefrom, made by and under the direction of the president pursuant to the authority of the resolution of this board dated February 19, 1896, was referred to the committee on finance and audit for examination and audit, and with instructions to report thereupon to this board.

(Seal.) I hereby certify that the above is a true and correct transcript of the minutes of the board of directors of the Mutual Reserve Fund Life Association, at the regular adjourned meeting, held on Wednesday, August 3, 1898.

CHARLES W. CAMP,
Secretary.

How came that report to be made by the president?—A. It was voluntary by the president.

Q. He had been then eighteen months in control of this fund, and he voluntarily presented this report of what he had done with it?—A. Yes.

Q. And it was referred to this board of audit?—A. Yes.

Q. What was the board of audit? Was it a section of the directorate?—A. Committee of finance and audit.

Q. Were the individuals who composed it members of the board of directorate?—A. They were.

Q. How many of them were there?—A. There were three, but only two took part in the audit.

Q. Two members of that board audited these accounts?—A. Yes.

Q. And what was the result of their examination? Did they report?—A. Yes.

By the Hon. Mr. Wilson :

Q. The members of the board did audit all their own accounts?—A. They did, and audited all the president's accounts in connection with the fund.

By Mr. Coster, Counsel for the Committee :

Q. Who were the others?—A. O. D. Baldwin and myself.

By Mr. Aylsworth, Counsel for the Mutual Reserve :

Q. Was there anybody else on the board of directors connected with the association to audit?—A. We could have taken one of the clerks, I suppose.

Q. Exhibit 20 reads as follows :—

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(Exhibit No. 20.)

August 10, 1898.

The regular adjourned meeting of the board of directors of the Mutual Reserve Fund Life Association was held pursuant to notice and adjournment on Wednesday, August 10, 1898.

Present.—Directors: Frederick A. Burnham, president; Octavius D. Baldwin, Hillary Bell, George Burnham, jr., George D. Eldridge, George W. Harper, William H. Hume, Elmer A. Miller, W. T. B. Milliken, James D. Wells.

President Frederick A. Burnham in the chair; Charles W. Camp, secretary.

President Burnham resigned the chair to Vice-president James D. Wells, and retired from the board room.

Vice-president Wells in the chair.

Director O. D. Baldwin, of the Committee on Finance and Audit, read the following report and resolutions:—

August 10, 1898.

To the Board of Directors:

Gentlemen,—At the meeting of this board, held August 3, 1898, the president presented a report and statement of and concerning the contingent fund, which was created and placed at his disposal by resolution of the board, dated February 19, 1896, and of all expenditures made therefrom, and at his request the matter of said contingent fund and account of the expenditures therefrom as reported by the president was referred to the Committee on Finance and Audit for examination and audit, and with instructions to report thereupon to this board.

The Committee on Finance and Audit have performed the duty devolved upon them as above, and now beg to report as follows:—

The president has presented an account showing in detail the expenditure of the sums of money drawn from said contingent fund, and such account has been examined and audited by this committee. The committee find that said account is in all respects correct, and that the amount withdrawn from said contingent fund has been applied and expended in the interests of the association in the manner and for the purposes provided by said resolution of February 19, 1896.

Your committee recommend that said expenditures from said contingent fund be in all respects approved, confirmed and adopted by this board. Inasmuch as the fund available to the association under the last will and testament of Edward B. Harper, deceased, and from and out of which said contingent fund was established, is diminishing through lapse of time and in view of the necessity for the existence of a contingent fund to be available to the president for use for the purposes contemplated by said resolution of February 19, 1896, your committee recommend that no further payments be made from the fund established by that resolution, but that in lieu thereof, a fixed amount be regularly paid to the president, to be available for contingent purposes, and to be paid, used and applied in his discretion, without accountability therefor.

Your committee recommend the adoption of the following resolutions:—

Resolved,—That all payments heretofore made to the president from the contingent fund established by the resolution of this board, dated February 19, 1896, and the expenditure and disposition thereof be and are hereby in all respects approved, confirmed and adopted.

Resolved,—That no further payments be made from said contingent fund; and in lieu thereof the Executive Committee be and is hereby instructed to place upon the pay-roll of the association the sum of two hundred dollars weekly, to be drawn and receipted for by the president, in addition to the salary from time to time fixed and established and paid to him, which weekly sum of two hundred dollars shall constitute a contingent fund to be used and expended by him without accounting therefor.

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and in his sole discretion, and to that end that the same as well as the amount heretofore drawn, be regarded as an addition to his compensation.

(Sgd.) O. D. BALDWIN,
(Sgd.) GEORGE D. ELDRIDGE,

Committee on Finance and Audit.

On motion, duly seconded, the report was received and the resolutions unanimously adopted.

(Seal.) I hereby certify that the above is a true and correct transcript of the minutes of the board of directors of the Mutual Reserve Fund Life Association at the regular adjourned meeting held on Wednesday, August 10, 1898.

(Sgd.) CHARLES W. CAMP,
Secretary.

By the Hon. Mr. Wilson :

Q. Could you tell me the names of the members who were upon this audit ?—A. O. D. Baldwin and myself.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. Then the board, by that resolution, put an end to the use of this one-third of 20 cents a thousand as contingent funds ?—A. Yes.

Q. Established instead \$200 a week ?—A. Yes.

Q. How long did that continue ?—A. Well, there has never been any action since in connection with the matter. It has been regarded as a part of the present compensation, and stands there as a part of his salary, and in the answer I shall make to the company, as salaries, it will be included as a part of the amount paid him as compensation as it is in the report to the Insurance Department.

By the Hon. Mr. Wilson :

Q. You say that is a part of his salary. Could you give us the balance of his salary ?—A. I believe that has already been fought out.

By the Hon. Mr. McSweeney :

Q. Is that not in the \$80,000 ?—A. Paid to officers ?

Q. Yes ?—A. It is in that.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. And it is a payment intended to be for the purposes of the company instead of the man's own individual benefit ?—A. Yes.

Q. Has he at any time since 1898 exhibited to other members of the board any account or statement showing the disposition he made of this money ?—A. No, he has not, in a formal way.

Q. Then this contingent fund that had been established by the resolution of February, 1896, and which is dealt with by the resolution of August, 1898, continued as such till when ?—A. It was discontinued in August, 1898.

Q. That was the end of it ?—A. Yes.

Q. Since that time this \$10,000, or \$200 a week has been substituted ?—A. Yes.

Q. Is there any information you can give us from your memory of six years ago, as to the nature of the disbursements that this examination or audit showed had been made by President Burnham of the moneys that had gone to him from this contingent fund ?—A. Oh, there were expenses of the nature that are made for every corporation to advance its interests. I remember distinctly that out of it was paid the expenses of his trip to Europe when he went there in 1896 to look after the business of the company, he drew nothing from the company, but paid it from this contingent fund.

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Q. You remember that being one of them. Was that a substantial amount ?—
A. Yes. My impression is he was in Europe about four months.

Q. Starting the business of the company on the continent ?—A. No, the business had been established long before that on the continent.

Q. A statement has been made—I cannot identify it now exactly—but a statement that your company had been refused a license to do business in some states of the union. I am referring to Maryland and Nebraska, which I have heard mentioned as states in which you had been refused a license. What is the fact as to that ?—A. In reference to Maryland, a complaint was made to the Insurance Department and a letter was written to the company which by some mysterious process got into print, which the Insurance Commissioner said, these matters being through, he should not renew the license when it expired.

Q. What was the date ?—A. My impression is that it was the latter part of 1901.

Q. That is in the State of Maryland ?—A. Yes, but there are the company's licenses in Maryland continuously from 1897 to 1903 without interruption, the simple fact being that upon the presentation of the facts of the case, the license was continued. As regards Nebraska, there was an attorney who had two suits against the company who filed a protest against the renewal of our license for the current year, unless we settled the suits without fighting them in court, and the actual issuance of the license was held up until the department heard the attorney, and then the license which had already been prepared, but which was held up by the department, was issued.

Q. That was the license, February 1, 1904 ?—A. Yes.

Q. Then what are the facts ? What states are there in which you are not doing business, or in which you have been refused licenses ?—A. The State of Minnesota withdrew our license some years ago, and there was a matter of considerable newspaper notoriety at the time. The State of California has refused to accept the certificates of the New York Insurance Department of the examination, claiming the right to send a force of clerks from California to examine us, and we had refused to allow it to be done, and have mandamus proceedings under way to require the Commissioner of California to issue our license, as we believe we have a right to demand.

Q. You have mandamus proceedings in court ?—A. Yes.

Q. You mean in Minnesota ?—A. No, I do not mean to testify by that that those are the only states we are not doing business in, but those are the states I have referred to as having refused. There are a number of states we have not applied for. Minnesota and Maryland are the only states that have refused. But there are New Hampshire and Vermont that we did not apply to.

By Mr. Coster, Counsel for the Committee :

Q. Never did business there ?—A. We did business in New Hampshire and Vermont, but we went out of there six years ago.

Q. Any other states ?—A. Not in Connecticut.

Q. When did you go out of that ?—A. We had not renewed our policy since we were incorporated.

By the Hon. Mr. Wilson :

Q. Why did you refuse to allow the California clerks to examine your books ?—
A. Because New York had examined us at a cost of \$5,000, and for the Californian Department to send its force to New York to make an examination that would amount to nothing and would cost, with the great distance to come, some \$8,000 or \$10,000, and we did not believe we were justified in incurring such an expense upon the policyholders for another examination immediately following the examination of our department.

Q. Did you notify them that they might examine into your records provided they paid the expenses of the examination themselves ?—A. No, I do not think we did. They

have a perfect right to come to our office. Any state in which we do business—the superintendent has a right to come into our office with a force of clerks, and make an examination of our records.

By the Chairman:

Q. Have they a right to charge up the expense against the company?—A. Yes; but we have a right to refuse to allow him to charge the expense, but if he comes with the consent of the company, he has a right to charge it up to the company.

By the Hon. Mr. Wilson:

Q. You refused?—A. Refused to allow him to come and make the examination at our expense.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. You thought you would try a mandamus?—A. Yes.

By the Hon. Mr. Wilson:

Q. You have business there?—A. Yes.

Q. How is it they will not give you a certificate?—A. Our states do not withhold the right to collect on the old business simply because we have no authority to do new business. The license we get from the states simply authorizes us to do new business, but does not affect old business.

By the Chairman:

Q. You are entitled to wind up your business?—A. No, we carry it on, but we cannot take any new business without a license.

By the Hon. Mr. Gibson:

Q. Did you require a license under the mutual arrangement?—A. Yes.

By Mr. Aylesworth, Counsel for the Mutual Reserve:

Q. The only other point I want to ask any question about, is a letter which, honorable gentlemen may remember, was read without comment by Mr. Coster, from Mr. Vrooman, who had lately, before writing the letter, been treasurer of the company, dated June 25, 1898. That letter was read at length, and appears printed in the minutes at length, page 51 of the proceedings of the committee. You remember that letter?—A. I do.

Q. It was received by Mr. Burnham, I suppose, about the time when it was written. It is addressed to the president?—A. My impression is it was received about that time.

Q. What was done with it by him? Did he bring it to the notice of the board?—A. It was brought to the notice of the directors.

Q. And what course did they take about it?—A. They appointed a committee to take up the question, and go into the suggestions, criticisms and comments made by Mr. Vrooman.

Q. Do you know what that committee did about it?—A. The committee held several meetings, and Vrooman attended one, and subsequently declined to attend any further, and the committee went on with the investigation of the matters covered by the letter in question. I assume the letter put on the record is the correct letter, and the report was submitted, which constituted Exhibit No. 10 of this book.

Q. And it appears on page 87?—A. 87 to 106, inclusive. -

Q. As that letter has been printed, and this is the investigation of its charges and the answer to it, I have to ask that the report be printed also. It appears on page 87 and the following pages of this pamphlet. This is the report of the committee to the company on the charges in that letter. This is a report of a committee, consisting of Baldwin, Hume and Brockway?—A. Yes.

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Q. They were a special committee appointed to specially investigate Vrooman's allegations?—A. Yes.

Q. And Vrooman appeared in support of that at one meeting, and appeared no further?—A. No.

Q. That covers from page 87 to 106, inclusive?—A. Yes.

By the Chairman:

Q. Do I understand that the charges made in Vrooman's letter were directed against the management of the company and the administration of the company?—A. They were criticisms of some of the acts of the management and some of the investments.

Q. And it was three of the board of directors who investigated and made a report of those criticisms?—A. It was.

Q. Exhibit 21 reads as follows:—

To the Board of Directors of the Mutual Reserve Fund Life Association:—

Gentlemen,—Your committee to which was referred the several letters of the late treasurer, Hon. John W. Vrooman, consisting of a letter bearing date March 21st, 1898, addressed to President F. A. Burnham and Vice-president G. O. Eldridge, members of the executive committee, of a letter of the same date, addressed to F. A. Burnham, Esq., President, begs leave to report that it has had several meetings, and has considered, with the care and thoroughness which the importance of the subject demanded, the several communications above referred to. In pursuance of this duty, it requested the presence, before the committee, of the late treasurer, Hon. John W. Vrooman, which request seemed justified by the relations which Mr. Vrooman sustains and has sustained towards the Association, and also by the relation and attitude which he assumed in these communications, and still further by the closing statement of his letter of June 25th, in which occurs the following:—

'The suggestions were made without prejudice or passion, with honest purpose, and I am ready and willing, at any time or place, to discuss these and other questions for the well-being of the association with the president, board of directors or members.'

Mr. Vrooman attended the meeting at which his presence was requested, but advanced the fact of an engagement for that afternoon as preventing his then taking the matters under consideration up with the committee. At his request, an adjourned meeting of the committee was fixed for Monday, July 18, at 2 p.m., at which he promised to be present. When, however, the date named occurred, there was presented to the committee a communication in writing from Mr. Vrooman, in which, while professing the kindest feelings towards the association and its officers, he virtually declined to appear before the committee and, in place of such appearance asked that his former communications be answered in writing and that there also be indicated in writing 'any further explanation of my suggestions' which the committee chose to make. As the purpose of this hearing was to investigate the facts alleged in former communications, and as it was manifestly impossible that answer should be made thereto pending such investigation, it could but seem to your committee that the communication referred to was practically a refusal to meet its members or to aid in the investigation with which the committee is charged.

Under these circumstances, we have gone as fully into the matter as it has been possible to do, electing rather to consider the communications in their relation to any possible advantage that their suggestions might be to the management than in the manner in which they would have been justified in considering them under the circumstances, viz., as without force and without support in the absence of proof and the declination of their author to enter into the discussion and consideration which he so ostentatiously seemed in his communication to President Burnham to court.

We have taken up the matter of the contract made with General Manager Moss in January, 1897, under which the business of that year was transacted. We find that

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this contract was executed by the executive committee chosen by the board of directors and charged under the constitution or by-laws with 'the power to make contracts with general agents and others for the furtherance of the business of the association,' and upon which committee it rests, under the regulations of the board, to 'exercise a general supervision over the business of the association.' The conditions of this contract are plain and the provisions made herein for compensation for the services of general manager are clearly laid down, and under these provisions the general manager discharged his duties during the entire year of 1897. Under these circumstances, it certainly was not within the power of the association, having accepted the services of the general manager rendered under the contract, to question his claim for compensation simply because it seems to exceed an amount which might have been anticipated in advance as accruing under the contract. At the close of the year, the general manager was credited with the compensation provided for in the contract, calculated in strict accordance with the terms thereof. To the voucher directing this credit is attached the name of Mr. Vrooman, and it certainly would have been presumptuous in any member of this committee or of the board of directors to assume that such signature was given otherwise than on the full understanding of the situation and in the intelligent discharge of his duties as an officer charged with the full measure of responsibility for the acts so performed by him.

Mr. Vrooman alleges that his signature was given to this voucher 'upon the information and with the understanding that the then existing contract by and between Mr. Moss and the Mutual Reserve had been and would be carried out in accordance with its terms and conditions.' There is not one particle of evidence advanced that the then existing contract has not been so carried out, but on the contrary, your committee finds that this credit was approved and made in direct accordance with the terms of the contract and in the proper discharge thereof. This compensation having accrued to the general manager, it might certainly be within the range of proper inquiry by the executive officers of the association charged with the conduct of its affairs, to inquire whether the continuation of the contract was to the advantage of the association or not, but it certainly is not within the province of any officer to demand or expect an accounting of the uses to which the compensation accruing to the general manager may have been applied, any more than to demand an accounting of the manner in which any officer of the association applies his salary or the compensation accruing to him.

Upon the question of the advantage or disadvantage of the future continuance of the contract of 1897, all necessity of inquiry, if it existed, was removed by the fact that such contract had been cancelled at the request of the general manager himself, who stated that, because of the items of expense ordinarily borne by the association, which he was compelled to assume and meet under the terms of said contract, he had found it unprofitable to himself, and not such as he was willing to continue under. In order to retain his services under these conditions, the existing contract was made with the general manager, and the contract of 1897 cancelled. The existing contract bears the signatures of the executive committee, of which Mr. Vrooman was at the time chairman, and it seems to your committee that it was an exceptionally advantageous contract for the association, and one that secures the supervision and management of its business in the agency field at as low a cost as is practiced with efficiency. The contract bears evidence of the care with which it is framed in the interest of the association, and especially in the matter of the retention of one-half of the commission accruing to the general manager, to the end of protecting the association against losses through advance to agents.

In the matter of the suggestion made, that this contract be cancelled, and that there be substituted for the compensation provided in the contract a salary to be paid to the general manager in compensation for his services, the question of the desirability or want of desirability of such change is one of opinion, which opinion must be largely based upon experience in the management of business of this character.

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It is evident that at the time of the execution of the contract, Mr. Vrooman did not entertain the opinion that the payment of a salary was preferable to the commission method, and, whatever change of opinion he may have undergone subsequently must, as to its wisdom, be judged not alone by the opinion of his associates and those versed in the management of agency business, but as well, by his own opinion in January, as evidenced by his approval of the contract then made.

It is a generally known fact that the usual method of compensation for new business written in life insurance companies is by a commission, making the compensation dependent upon the success in securing business, and this method is approved and supported by the general practices of all companies. As to the question raised by Mr. Vrooman that, to a considerable extent, the business now being secured comes from agents not of the present general manager's appointment, it is a fact that it is not simply by the original appointment of agents, but by their constant supervision and incitement to work that continuous results are obtained. When the general manager was appointed he was placed in charge of the entire agency force in the United States, and the appointment of the new agents was only a part of the duty assigned to him. An equally important portion of his duty, and one demanding the exercise of his talent and experience and the consumption of his time, was the supervision of the work of former agents, the supplying of them with material to further their work, the correspondence with them and the general supervision of and attention to business done by them. In addition to this, however, the changing of the method of doing business from that of the admission fee to that of a regular premium, on which the association receives its regular percentage even from the first payment, was a special duty assigned to the general manager and one of great importance and of vital interest to the future of the association. From its organization the method of a membership fee, which accrued entirely to the agent, has been in vogue. Later, there had been introduced the expense fee, which by process of development had also become a portion of the compensation of the general agent. Under this method, it resulted that a very large amount of business, involving a very considerable expense in the way of death losses, was carried on the books without any compensation being received by the association and without any possibility of knowledge under an average period of from five to six months as to whether the business was genuine or would ever yield the association anything in revenue. This business had proved exceedingly costly, not only because of the maintenance of an agency force, much of whose efforts were unproductive in a revenue-creating way, but also because it opened the door to the placing on the books of impaired risks for speculative purposes, among which the death rate was heavy, but the association received actually no payments whatever thereon. Experience had demonstrated the necessity of a change in this method, and one of the special and most pressing duties that fell upon the general manager under his contract of 1897 was the education of the then force of agents to the change and maintenance of the volume of business while such a radical change was being made in the method of dealing with the agent and the public. That this duty was by no means a light one is evidenced by the assurances that came from the agency department when the suggestion of change was made by the president that it would not be possible to attain the end desired without a practical destruction of the business-producing ability of the agency force. The service rendered was a most important one, and the maintenance of the volume of business under the changed and changing conditions, as evidenced by the record of 1897, shows that it was well rendered, and that it was a service which well earned a special and not inconsiderable compensation.

In the matter of the vouchers referred to in the letter of June 25, addressed to F. A. Burnham, Esq., president, covering commissions accruing upon first year payments on business written in 1897, which payments did not fall due and were not made until 1898, an examination of the two contracts shows clearly that such commission clearly belongs to the general manager under his existing contracts, and the facts clearly point to such commissions as an entirely legitimate portion of his compensa-

tion for the present year. Had his contract remained in force as it existed on December 31, 1897, the general manager would have been entitled to a commission of twenty per cent upon these payments as they were made. In the cancellation of the contract of 1897, large credits, therefore, accrued to the association from the commissions so surrendered, supplementing the other credits so accruing, as noted in Mr. Underhill's note to which Mr. Vrooman made reference. These other credits are those belonging to the agents on deferred premiums on business written in 1897, which commissions, as received, accrued to the association as against advances made to those agents. The credits represented by these vouchers represent, therefore, five per cent upon premiums on account of the first year of insurance paid during 1898, and as such, are commissions to which the general manager is clearly entitled under the plain wording of the terms of the contract executed by the executive committee while Mr. Vrooman was still the chairman, which contract was subsequently confirmed by the unanimous vote of this board of directors.

The suggestion of the cancellation of the contract with the general manager is one that fails to take account of the fact that to every contract there are two parties, and that fair dealing demands that, when one party thereto is performing the duties incumbent upon him under the contract, there should not be arbitrary forfeiture enforced by the other party to the contract. The time to have considered the desirability of this contract to the association was prior to its execution, and there is every evidence before your committee that such consideration was given to it; that it was executed as in the interest of the association, and that the judgment expressed in its execution and in its subsequent ratification by the board of directors was sound, and such as considered the advantage and best interests of the association and its membership.

The form of statement in reference to the payments of moneys provided for under the contract with the general manager for the purpose for advances to agents, is calculated to convey a wrong impression. To the ordinary reader it would seem to imply that an exception had been made in the drawing of this money to the rule, which requires the signature of three officers to the warrant and of three officers to the check. The fact is that every advance placed to the credit of the general manager as provided in the contract, was by a warrant signed by three officers, and a check so signed, in accordance with the invariable rule of the association. For a time the money placed to the credit for advances was disbursed by the general manager, but in every instance, before an additional credit was made, the vouchers for the former disbursements were verified and the account checked up. In January last, however, at a meeting of the executive committee, it was unanimously decided that it was best to make the advances by checks direct from the association to the agents receiving the same, the then chairman of the executive committee, Hon. John W. Vrooman, was charged with the carrying out of this order. Later, he reported that in his opinion it was not feasible to make the change, and the former method which, if any, is criticised by him, was continued until subsequent to the resignation of Mr. Vrooman as chairman, when, by special order of the president, the former order of the executive committee, with the execution of which Mr. Vrooman has been charged, was carried into effect.

In the matter of the suggestion concerning the rental charged to the association for the occupancy of a portion of its building, no allegation is made that an undue amount of room is occupied for the proper carrying on of the business, and certainly no one conversant with the question of rentals will assume that the rent charged is disproportionate to the amount of space occupied. It is to be noted in this connection that such charge is offset by a receipt, making it a matter of the proper keeping of accounts and the proper exhibit of income, the investments and expenses of conducting the business. The course adopted by this association, viz., that of charging in its expense account rental for the portion of its building which it occupies, is that followed, with one exception, by every life insurance company in the city of New York which occupies its own building, and of the rentals so charged, that charged by the Mutual ELDRIDGE

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Reserve is less in proportion to the amount of its business outstanding than in the case of any life insurance company in this city, with a single exception.

It would have been a matter of satisfaction to your committee had Mr. Vrooman consented to meet with the committee, and to put into other than the general form in which it appears in his communications, the suggestion in regard to the reduction of expenses. The question of reduction of expenses as relating to economy, must depend in a great measure upon the question whether the expense attending the transaction of business by this association is in excess of that shown by its competitors. A knowledge of the conditions surrounding the business of life insurance and the transaction of the same, especially with reference to the securing of new business, is an absolute prerequisite of a recommendation in this direction. Had the late treasurer investigated the question as to the cost of doing business, as shown by the competitors of the Mutual Reserve, for which investigation the official reports of the New York Insurance Department afford abundant material, he would have found that, even in 1897, with the contract with the general manager in force, the wisdom of which he now questions, the entire expense per each \$1,000 of business outstanding scarcely exceeded in this association the amount expended for agency expenses alone by the average old line company. He would have found, also, that confining the comparison of these companies which are universally admitted to be more economical in the transaction of their business, the cost per \$1,000 of business outstanding stands for 1897 in the relation of \$5.75 in the Mutual Reserve and \$7.80 in the competing old line company. This, the most favourable exhibit that can be made as relates to competitors, would if the comparison were made with the entire list of companies, show as against the \$5.75 of the Mutual Reserve, a close approximation to \$10.00 per thousand dollars, excluding from the calculation the industrial companies with their extraordinary expenses. It is to be noted in fairness to this comparison that the system upon which the great bulk of the Mutual Reserve's business of 1896 was conducted, namely, that of the bi-monthly premiums and collections, entails a more than average expense in the matter of clerical hire, printing and office expenses, as well as a greater demand for proportionately greater accommodations for the clerical force, and it is fair in this connection, in considering the importance of the changes involved the less frequent payment of premiums and a consequent proportionate reduction in the incidental expenses of collection.

Your committee feel compelled, not alone to condemn the tone of the communication referred to it, as addressed from an officer of the association to its president, but, also to discountenance and condemn the idea which seems to permeate this communication, that an officer of the association may, after he has in the discharge of his duty attached his name to a warrant or contract, absolve himself from responsibility therefor, by simply notifying the executive that he desires to withdraw his name and to be held no longer responsible for his act. It is assumed that any one capable of holding the position of an officer of the Mutual Reserve is possessed of business judgment and experience sufficient to impress upon him the responsibility and obligations that are implied in the discharge of his duty. Every such officer not only has the right, but it is his duty to investigate and satisfy himself in regard to official acts which he is called upon to perform, and the fact of his signature either to a voucher, contract or other document implies and must be held to imply that he has investigated the matter and convinced himself of the proper character of the act, not because another officer has joined with him, but because of independent investigation. The regulations requiring the signatures of three officers do not imply that one signature will be given because of the existence of other signatures, or that one signature will be withheld because of the non-existence of another given signature, but that the act of each officer is the act of his independent judgment, to the benefit of which the association is entitled. Having once given such endorsement to the act, the responsibility attaches to the officer for the act, and there can be no relief from that responsibility, and especially no relief on the plea of the act having been done in dependence upon the judgment of another,

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or from want of knowledge of facts, of which the officer could and should have informed himself prior to the giving of his signature.

The committee also feels that it is within its province to discountenance what seems to be apparent in these two communications, and that it is a disposition, after matters of administrative policy have been determined upon by officers or boards in which authority is vested, to set up an independent judgment opposed thereto, to indulge in irresponsible criticism, and thus to cause want of harmony of action and co-operation of effort. Pending the decision of any administrative course, it is every officer's right to give to the board or officer having the decision of the matter his best judgment, whether the said judgment be favourable or opposed thereto, and to do less than this is to fail either of the full measure of obligation or duty. But when the course of action has decided on, it becomes the act of the association and of the power in which authority is vested, and as such demands the loyal support of every officer in the discharge of executive or other duties, or, in event of his inability to give this, his retirement from the position he holds.

As many of the questions raised by Mr. Vrooman required consideration of the relative expenses involved in the transaction of life insurance business, the committee called upon the actuary of the association, Mr. Geo. D. Eldridge, for figures bearing thereon, which would form the basis of an intelligent judgment upon this portion of the communications referred to the committee. As these matters are of equal importance to the board, the reply of the actuary is hereto appended.

Respectfully submitted.

O. D. BALDWIN.
WM. HUME.
H. H. BROCKWAY.

July 22, 1898.

(Exhibit No. 21.)

To Messrs. O. D. Baldwin, W. H. Hume and H. H. Brockway, Committee.

Gentlemen,—In compliance with your request, and along the lines of inquiry addressed to me at a meeting of your committee, I submit the following as bearing upon the question of the expenses of this association, with particular reference to the several letters of Hon. John W. Vrooman, late treasurer of the association.

Expenses and their Reduction.

In both the letter of March 31 and that of June 25, great stress is laid upon the general declaration of the necessity of reduced expenses. I find nowhere, however, any evidence that an effort has been made to ascertain whether the expenses attending the transaction of our business are actually excessive or not, but, on the contrary, I do find the declaration that 'we cannot secure increased income and decreased expenditure by comparison,' the evident purpose being to imply that the measure of economy is an arbitrary reduction of expenses, without regard to the question of efficiency and equally without regard to the question of the relative cost of transacting our business as compared with similar business of competing institutions. I respectfully submit that in such proposition there is nothing practical, nothing that can be made use of for the benefit of the membership. It is pure and simple criticism, unsupported by facts, and valueless unless measured and sustained by facts.

It is manifest that in life insurance business, as in all other branches of business, efficiency and the best results demand proper provision of proper expenses. To cripple a business with inadequate provision for meeting expenses is the most wasteful extravagance. This association is competing with the great life insurance companies for business; it must secure business in the same manner as do those companies; it must be able to command as high a grade of agency material; its affairs demand, and its members have a right to insist upon, as competent official service as other ranking companies enjoy. If we are to have these we must be prepared to pay the cost of them

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in the open market. The fact that this is the Mutual Reserve will no more enable us to buy first class services at under price than it will enable us to secure printing, books, supplies, postage, express service, &c., at less than cost.

There exists no other business where there is more abundant public material for the determination of the question of the expense cost involved in its conduct than the business of life insurance. The official reports of the companies, as published by the state departments, place almost every detail before the man who is anxious to inform himself whether the expenditures of this association are unusual or in excess of that which is marked as characteristic of the business; while the reports of our own association, made in past years, will enable him to decide whether the general tendency of administration is in the direction of or away from true economy. One can but feel that it is the duty of an officer, before indulging in criticisms of the manner in which affairs are conducted, to avail himself of these sources of information, and I can but regret that there is in these letters not the slightest evidence that these sources of information had been used, or even a knowledge of their existence and importance.

While one might well dismiss this portion of the matter with this statement of the unsustained character of the criticism, I have felt that it is of sufficient importance to us all to attempt to place facts on record, and have, therefore, had the material for comparative judgment compiled from the sources named, and submit them in the following synopsis—all the figures presented being from the various statements of the companies to the state insurance departments.

Comparative Expenses of 1893-4 and 1896-7.

The death of the late President Harper occurred at a time which marks many changes in the conditions surrounding the association. New questions have arisen, which have to be met and disposed of, and new difficulties in the procuring of business have had to be encountered. With these came new avenues of expenditure, it being necessary to pay out very considerable sums in directions where small expenditures were before required. It seems to be a generally admitted fact that under President Harper the business was conducted with marked economy, and in the letters under consideration the plain references to increasing expenses, the need of greater economy, clearly imply unfavourable criticism of the present management in relation to the past, with both of which the writer of these letters was connected in an executive office. For the reasons stated above, it would not be surprising if a comparison showed somewhat unfavourably for the present administration—as in fact must be the case if the new items of expense were to be met without a reduction elsewhere, which was rendered the more difficult because of the admitted economy of the administration under President Harper. To determine the question, I have had comparison made between the expenditures of 1893 and 1894, the last two complete years of President Harper's life, and those of 1896 and 1897, the two complete years of the administration of President Burnham. The year of 1895 is omitted, as it was one of divided administration.

Relation of Business.

	1893-1894.	1896-1897.	Increase.	Per cent.
	\$	\$	\$	
Mean insurance in force	527,502,000	630,185,000	102,683,000	91.47
Amount collected from members	9,117,216	11,388,133	2,270,917	24.91
Amount paid to members	6,030,722	8,151,928	2,121,206	35.17
Expenses, gross	2,858,491	3,396,571	538,080	18.82
Expenses, excluding taxes and amounts paid banks for collecting	2,701,863	3,180,483	478,620	17.71

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It will be seen from the above that while the increase in business carried has been 19'47 per cent, the increase in amounts collected from members 24'91, and the increase made in payments to members 35'17, the increase in expenses has been but 18'82. If from expenses is excluded taxes and licenses—which have by reason of special legislation materially increased—and the sums actually retained by banks and other collectors before remittance to home office, the increase in expenses is but 17'71 per cent.

If the expenses are measured by the amount per each \$1,000 of insurance carried, it is found that in 1893-4 they were \$5.42, and in 1896-7, \$5.39. If they are measured by the percentage of the amounts paid by members, they are in 1893-4, 31'35 per cent, and in 1896-7, 29'83 per cent. The net expenses are, respectively, \$5.12 and \$5.05 per \$1,000 or 30'01 and 26'29 per cent.

It is thus clearly manifest that instead of there being any increase in the relative expenses of transacting the business, there has been a decrease, and this notwithstanding the conditions which have called for unusual and extraordinary expenditures during the last two years. The demand for great reduction in expense is, therefore, a demand for even a further reduction from the expenses shown under the strict economy maintained under President Harper, and the criticism of present expenses is still more emphatically a criticism of the expenses incurred in 1893 and 1894.

Expense Income and Expenses.

The expenses of the association are provided for from revenues derived from several sources. In addition to the membership fees formerly collected, there are the annual dues for business expenses and the provision under section 1, article X. of the constitution or by-laws, that the expenses of the mortuary department shall be paid from 'moneys received from mortuary calls.' This provision is as imperative as are the other requirements of the fundamental law of the association, and it is supplemented by the provision that the 'net earnings' shall be carried to the reserve fund, as has been done both in 1896 and 1897.

The following comparison shows to what extent expenses have exceeded the revenue, exclusive of the gross assessments and interest at the rate of 4 per cent per annum on the full reserve fund—invested and uninvested:—

	1893-4.	1895-6.
	\$	\$
Gross assessments	6,865,365	8,547,548
Special deposits	51,937	33,206
Four per cent of reserve	287,552	276,588
Assessments and interest receipts	7,204,854	8,857,342
Gross receipts	9,442,555	11,939,787
Balance	2,237,701	3,082,445
Gross expenses	2,858,492	3,396,572
Excess expenses	620,791	314,127
Percentage of assets and interest receipts	8'62	3'55

In 1893-4, the commissions actually deducted by banks and other collectors and the taxes and licenses levied by public authority, amounted to \$156,628, leaving the net payments from assessments at \$464,163; while in 1896-7, these charges amounted to \$216,088, leaving the net amount at \$98,039.

In view of the criticism which is directed in the letters named against the cost of doing new business, the fact referred to above, that the peculiar tasks which have fallen to the present management have necessitated many extraordinary expenditures, **ELDRIDGE**

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is important, especially taken in connection with the above showing of reduction in relative expense. It follows, necessarily, that the creation of new and unexpected items of expenses is hardly compatible with increased economy and that the latter could be attained only by special rigid economy in the ordinary matters of outgo. Premising this, the following exhibit of certain items of expenditure becomes of interest :—

	1893-4.	1896-7.	Increase.	Per cent.
	\$	\$	\$	
Paid officers and office employees.....	669,749	719,673	49,924	7.45
Percentage of expenses.....	23.43	21.19		
" payments by members.....	7.35	6.32		
Agency expenses.....	1,175,826	1,304,696	128,870	10.96
Percentage of expenses.....	41.13	38.14		
" payments by members.....	12.90	11.46		
Printing and advertising.....	208,464	177,647	*30,817	*14.78
Percentage of expenses.....	7.29	5.23		
" payments by members.....	2.29	1.56		

* Decrease.

These percentages derive their full signification when taken in connection with the fact of an increase of 19.47 per cent in the mean insurance in force; of 24.91 per cent in the payments by members; and of 35.17 per cent in claims paid.

Cost of Business by Old Line Companies.

No man who would form a fair judgment on a question of this kind can ignore comparisons. The question, what has it cost and what does it cost old line companies to do their business, and how does that cost compare with that of the Mutual Reserve, is most important, because of cost of other companies established within reasonable limits the market price of the services that we must command if we are to continue to do business, and clearly indicates the reasonable measure of economy—as judged by actual expenses and possible reduction therein—that can be demanded in the interests of our members.

The *Spectator*—an old line journal—has recently published a table showing the amount of money per each \$1,000 at risk the leading old line companies used for expenses in each of the last twenty years. This is the fairest basis of comparison, since the \$1,000 at risk is the unit of service, while premiums vary within the widest limits. Of thirty-three companies named, only eight showed in 1893-4, a less expenditure than \$8.13 per \$1,000, which is 50 per cent in excess of the amount (\$5.42) used by the Mutual Reserve in the same years. These companies, with the amount used in 1893-4 and in 1896-7, are as follows :—

	1893-4.	1896-7.	Increase.	Decrease.
	\$	\$	\$	\$
Ætna Life.....	7 70	7 65		0 05
Connecticut Mutual.....	6 85	7 50	0 65	
Mutual Benefit.....	6 85	6 95	0 10	
New England Mutual.....	6 40	7 70	1 30	
North-western.....	7 65	7 35	0 30	
Provident Life and Trust.....	6 70	7 15	0 45	
Provident Savings.....	6 85	8 95	2 10	
Travellers.....	8 10	7 05		1 05

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It is significant that in this list appears the name of neither the Mutual Life, the Equitable Life nor the New York Life. The relative showing of these companies was as follows :—

Name.	1893-4	1896-7	Increase.	Decrease.
	\$	\$	\$	\$
Mutual Life	19 05	11 10	.....	0 95
Equitable Life.....	8 60	8 95	0 35	.....
New York Life.....	10 95	8 90	.....	2 05

It is also significant that every company which in 1893-4 showed an expense rate of less than \$7 (or \$1.58 in excess of the Mutual Reserve in the same years) shows an increase in 1896-7, leaving but one of the entire list below \$7 in 1896-7.

In 1896-7 there were but seven companies which showed an expense rate below \$8.09, which is one hundred and fifty per cent of that of the Mutual Reserve in the same years. These are as follows :—

Name.	1893-4	1896-7	Increase.	Decrease.
	\$	\$	\$	\$
Aetna Life.....	7 70	7 65	.....	0 05
Connecticut Mutual.....	6 85	7 50	0 65	.....
Mutual Benefit.....	6 85	6 95	0 10	.....
New England	6 40	7 70	1 30	.....
Northwestern	7 05	7 35	0 30	.....
Provident Life and Trust	6 70	7 15	0 45	.....
Travellers.....	8 10	7 05	.....	1 05

The thirty-three companies in the aggregate showed an expense rate of \$9.70 in 1893-4 or 179 per cent of that of the Mutual Reserve, and of \$9.50 in 1896-7 or 176 per cent of that of the Mutual Reserve in the same years.

If in place of comparing the expenses of the Mutual Reserve with those of the entire mass of old line companies, we select those of the latter class that are peculiarly distinguished for economy, as shown by the above list we have an expense rate of \$7.10 in 1893-4, as against the Mutual Reserve's \$5.42, and one of \$7.20 in 1896-7, as against the Mutual Reserve's \$5.39 (an excess in the first two years of \$1.68, and in the second two years of \$1.81).

The conclusion of this matter is that the most economical of the old line companies have not found it practical to maintain their expenses at less than about \$7 per \$1,000 of mean risks, and that when temporarily they have succeeded in reaching a lower figure, it has been followed by a reaction, which has re-established the average. From \$9 to \$10 is the prevailing average of the companies with which we are brought in contact.

As the clear implication of the criticism under consideration is undue extravagance in our agency business, I have thought it well to compare this item in the year 1897 alone—in which the contract especially criticised was in force—with that of the more economical and more representative old line companies, as follows:—

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Name.	1897 Agency expenses.	Per \$1,000 at risk.	Per cent of expenses.	Per cent of average premiums.
	\$	\$	\$	\$
Mutual Reserve	726,771	2 32	40 37	12 54
Ætna Life	657,963	4 43	49 30	12 17
Conn. Mutual	397,857	2 53	33 23	6 28
Travellers	313,020	2 78	38 55	12 71
Equitable Life	5,508,535	5 87	64 53	14 29
Mutual Benefit	886,145	3 52	49 53	7 49
Mutual Life	6,478,004	6 45	63 94	15 18
New England	399,799	3 91	48 31	11 33
New York Life	5,285,775	6 23	62 93	16 03
Northwestern	1,694,998	3 59	48 50	11 21
Penn. Mutual	769,590	4 77	50 78	12 57
Prov. Life & Trust	415,797	3 57	48 86	8 86
L.L. Old Line Cos.	\$ 22,807,524	\$ 5 57	\$ 58 62	\$ 13 83
Mutual Reserve		2 32	40 37	12 54

One great significance of this exhibit is that it includes all the companies which are recognized as especially economical, that it excludes all companies that do an industrial business, and that it embraces the largest companies and those that are most progressive, and, as well, such companies as the Connecticut Mutual which has old business, on which the agency expenses is small, far in excess of its newer business on which the greater portion of such is incurred.

The Demand for Reduced Expenses.

The communication under consideration lays particular stress upon two necessities which the writer asserts confronts the association, of which one is 'that expenditure should be considerably decreased'. It is certainly reasonable to assume that when an officer, or a former officer, of the association declares positively that such a necessity as the above-named exists, he will have founded such assertion upon facts in his possession, and not upon a mere impression. It is for this reason the careful analysis of comparative cost of business, set forth above, has been made, for, whatever declarations may be set forth as to the practicability of a certain device, the test of the practicability must rest in a knowledge of the conditions surrounding the business and the competition in which those conditions involve the association. The present management of the association, under President Burnham, has given the most marked evidence of its purpose to secure actual and practical economy, and with this determination every member of the committee and, we believe, of the board of directors, is in fullest harmony, and, if the declaration of the writer of the communication, that his ideas are not in harmony with the management, is based upon an intelligent conception of the problems which confront the management, then it must be that theoretical and not practical criticism is the purpose in view in the communication under consideration. This would seem to be borne out by the indisputable facts set forth above, showing expense cost of the business done by this association, as compared with that done by the leading companies of the country and those with which the association is brought into competition. The report of Insurance Commissioners bears abundant evidence that they have earnestly deprecated the increased cost of new business, as shown by the yearly reports of the old line companies. If the record of this association showed that such increase in cost had occurred in its transactions, it might well be that a portion of such criticism would attach to this management, though even then the consideration would be entitled to weight, that if the association purposed to transact an equal grade of business, it could not hope to do so under conditions that showed a general increase in the cost of doing business without being in a position to meet such competition, but the figures as given above

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show conclusively that the management of this association has held rigidly to its record of close economy, with the practical result that it has met all of its expenses with an outlay on each \$1,000 at risk no greater than the single item of agency expenses as shown by the reports of the most economical of the old line companies of the country.

Respectfully submitted,

July 21, 1898.

GEORGE D. ELDRIDGE,
Actuary.

The foregoing report was prepared and agreed to by all the members of the committee prior to July 23, 1898, and was, in fact, then signed by two of the three members of the committee, but owing to the absence of the third member from the city, we have held the report awaiting his return to sign the same. This has been done.

The committee, however, deem it proper to state that on the date last above-mentioned, to wit, July 23, 1898, an agreement was made between the association and Mr. Moton D. Moss terminating all contracts existing between the association and him, and mutually releasing him and the association from any liability each to the other. This agreement was read in full to and unanimously ratified and confirmed by the board of directors at its regular meeting, held on the 27th day of July, 1898, which would therefore seem to finally dispose of all questions raised by Mr. Vrooman with respect to the contracts between the association and Mr. Moss for payments thereunder.

H. H. BROCKWAY.
O. D. BALDWIN.
WM. H. HUME.

By the Hon. Mr. McSweeney :

Q. You stated that Mr. Vrooman declined to appear?—A. He came into the committee and excused himself on that day from appearing, and then, subsequently, wrote declining to appear.

Q. It says he declined to appear?—A. Yes.

Q. He came once?—A. Yes. He came once and said he could not remain that day. Then we appointed another day, and when the other day came he sent a note declining to appear.

By the Hon. Mr. Béique :

Q. Referring again to Exhibit 12, you gave in this exhibit the income both in Canada and the United States separately?—A. Yes.

Q. Besides that there was the income from other parts of the world?—A. From Europe, yes.

Q. Could you give us an idea of the amount?—A. I think I can submit it to you year by year. I think I have a copy of it.

Q. I should like to have the total amount for the nineteen years?—A. Yes, I can give you that to-morrow.

Q. You gave in this statement the amount at the credit of the reserve fund at the end of the year in Canada?—A. Yes.

Q. Could you give the amount of the credit in the United States?—A. This is the whole of the reserve fund in the company. It is a consolidated fund.

Q. What I should like to find out is this; it is the amount a person takes contributed to the general expenses of the company by the Canadian business, the \$720,000 odd that have been mentioned as compared with the contributions made by holders of policies in the United States and holders of policies in Europe. Could you furnish us with those figures?—A. Yes. Let me correct. I did not intend to testify that necessarily all that money had been used for expenses. It was a contribution of the Canadian business towards the general expenses of the company, and might have gone

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towards the proportion of death losses as well as towards expenses, the membership being a part of the general membership of the company. I will give you the percentages so that you can cover all that.

Q. Could you give us the amount of the assessments which were paid by the policy-holders under the assessment plan under the fifteen year, ten year and five year policies?—A. Yes.

Q. You mean for illustrative ages?—A. Yes.

Q. For different ages throughout?—A. Yes.

Q. And give opposite, the amount which they would have had to pay on the regular line policies?—A. You mean the whole life policies?

Q. Yes.—A. I will have it made up. I should not make the figures myself, but I will get the clerks to work and make them up.

Q. Take merely samples?—A. Yes.

Q. Which will give the average?—A. Yes.

Hon. Mr. WATSON.—I move that Messrs. Cannon and Cameron be summoned before this committee to give evidence on the matter investigated by this committee in reference to the statement alleged to have been made by Mr. Wells.

Hon. Mr. BEIQUE.—I am in sympathy with the demand, but I do not think it would be quite regular.

By Mr. Coster, Counsel for the Committee:

Q. I want to ask a question with reference to the salaries of the two officers. In the annual reports made to the department of insurance in New York, under the head of salaries to officers, does the amount therein stated each year include all compensation to officers?—A. It includes all compensation to officers included under the head of officers.

Q. And then with reference to employees, does the amount which appears every year include all compensation to them?—A. Probably the portion of the clerks who are employed in the actuarial department appear in the actuarial services.

Q. But that would be all. There would be nothing else except the actuarial expenses?—A. The counsel's compensation would appear under legal expenses.

Q. There is a blank just after each one of the statements of salaries to officers and employees: 'Other compensation if any'—that is left blank. What you mean by that, is that there was no other compensation?—A. What I understand by the blank is that it is for the including of any compensation, whether an officer gets a percentage, or anything of that kind.

Q. Or additional fees for some other work?—A. I understand that blank calls for the compensation in case an officer receives commission or anything of that kind, to have it detailed there, and there is no officer of the association that has any commissions.

Q. But the language is plain: 'Other compensation if any.' It is left blank. In leaving it blank do you mean to say that there is no other compensation?—A. There are none of the officers who receive any compensation over and above their salaries, or in the way of commissions or anything of that kind from the company, and, therefore, that clause is left blank.

The committee adjourned until 10 a.m. to-morrow.

Wednesday, June 29, 1904.

The committee met at 10 a.m.

Mr. GEO. D. ELDRIDGE.—I wish to make three short statements. I find that my testimony stands that there were four directors in the employ of the company who were receiving fees, and I find there were five, so I desire to correct that, and for information I filed a copy of the list of directors.

By the Hon. Mr. Wilson:

Q. Directors with salaries, too?—A. I file a list of the directors of the company, giving the names and designating those that are in the employ of the company. My testimony in regard to the contingent fund would seem to imply that the entire commissions of the third that would have accrued under the contract were paid to Mr. Burnham through the contingent fund. The gross amount that was paid through the contingent fund that was terminated the 9th August, 1898, was \$16,000.

By Mr. Aylesworth, K.C., Counsel for the Company:

Q. Do you mean from the beginning of it, from 1896?—A. From 1896 to August 10, 1898, the gross amount was \$16,000.

By the Chairman:

Q. There is only \$16,000 in the three years?—A. The resolution was adopted in 1896, and was terminated the 10th of August, and the amount drawn under the resolution charged to this commission that would have accrued to Mr. Harper was \$16,000.

Q. That was the amount drawn?—A. The amount was larger than that, \$53,000, but the amount drawn was \$16,000. Then in testifying last night as to the powers of insurance commissioners to examine the company at their will, I was testifying generally, and it occurred to me last night that the testimony as it stood might not show clearly our claim in California. What we claim in California is that under the statutory law of that state, so long as the superintendent of New York accepts the actions of the California department, the California department is bound to accept the actions of the superintendent of New York.

Mr. COSTER, K.C.—Before going on with the examination of Mr. Wells, I want to call the committee's attention to the case which was referred to by Mr. Eldridge the other day—a case of Dennis against the Massachusetts Benefit Association, 120, New York reports, 496. Mr. Eldridge was under the impression that the court held in this case that the Mutual Reserve Company under such a contract as they make with their policy-holders might be compelled to reinstate the policy-holder, and that that was an additional excuse for leaving delinquent business on the books as in force to the end of the current year. The head note of the case sets forth an entirely different proposition. It says that the policy contained a provision that in the event of the insured not paying the premium within the thirty days allowed, that should be taken as sufficient evidence that the party had decided to terminate his connection with the association, which connection shall thereupon terminate, and the party's contract with the association shall lapse and be void, but for valid reasons to the officers of the association, such as failure to receive notice of an assessment, he may be reinstated by paying the assessment arrearages.

Mr. AYLESWORTH.—If my learned friend is arguing this I have an equal right to take up what time I wish in arguing the case.

Mr. COSTER.—This case was before the premium became due—
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Hon. Mr. BÉRIQUE.—There is an objection made to your arguing this case. I think the point is well taken.

The CHAIRMAN.—The counsel can direct the attention of the committee to the case. Mr. Eldridge handed in the authority, and as far as I can see, the interpretation given to that judgment is not the interpretation given by the counsel. We will discuss the case later on.

Mr. COSTER.—This man had an attack of apoplexy before the money came due, and that was held to be sufficient excuse for not paying the assessment. It had nothing to do with the Mutual Reserve.

JAMES DOUGLAS WELLS, of the City of New York, called and examined by Mr. Coster, K.C., Counsel for the Committee.

Q. You were connected with the Mutual Reserve Fund Life Association, which is now being investigated?—A. I was.

Q. What were your first relations with them?—A. My first relations with the company were some business I did for them either in the latter part of 1883 or 1884—that is the first.

Q. State shortly what it was?—A. I did some business for them in New York.

Q. What did you do?—A. Subsequent to that, I returned to Canada.

Q. What year was that in?—A. It must have been the fore part of 1885.

Q. It was 1883 and 1884 you were in New York, and then you came to Canada—for the company?—A. I came to Canada for the company.

Q. In 1885?—A. Yes.

Q. What did you come here for?—A. I came here under a commission contract for business to be secured in Canada—came here to work in Canada under a commission contract, to secure business.

Q. What did you do?—A. About that time, the subject came up in parliament as to an amendment of the Insurance Act, and prior to the amendment of that Act, the company had no license in Canada, but I proceeded to do business until a license was secured under the amended Act. That contract was a straight commission contract, without any allowances for expenses of any kind, rents or anything else. I even had my own literature, applications and literature, printed at my own expense.

Q. A statement has been made that you alleged you paid out sums of money for the company here in Canada, for starting their business—what have you to say about that?—A. I paid out a large amount of money of my own in establishing the agency in the Dominion of Canada, quite a large sum, in other words put it 'good round sums.'

Q. About how much money did you expend that way, and how was it expended?—A. It was expended in travelling, putting down agencies, and advances to agents, and general expenses of establishing the company in Canada.

Q. And by your arrangement you were to pay this yourself?—A. By my arrangement I was to pay this, that is simply because the company were averse to coming to Canada at all at any time.

Q. You never made any claim on the company for a return of any of this money?—A. I never did.

Q. Was there any of that money expended in procuring legislation?—A. Not one five cents.

Q. Did you ever say that any of it was expended that way?—A. I never did.

Q. To any person?—A. To any person.

Mr. AYLESWORTH.—I shall be prepared to contradict that statement.

Mr. COSTER.—I am putting in the evidence to give them that opportunity.

WELLS

Q. About what sum of money do you say you expended in establishing the company in Canada?—A. At least ten or fifteen thousand dollars, before I began to recoup myself.

Q. Before you began to get it back?—A. Yes.

Q. That was in appointing agents and establishing agents?—A. Yes.

Q. A statement was made here by the last witness, Mr. Eldridge, with reference to instructions alleged to have been given by you to one White, in Boston. You heard that, did you?—A. I did.

Q. What have you to say about that?—A. Mr. White, who was a Boston agent, and a protege, I may say, of Mr. Eldridge, a particular friend of his, at least, he always claimed to be, came to me—

Q. When?—A. In 1898, after my return from England, towards the close of the year 1898. He came to me and said that he was very much behind in his business in Boston, that he wanted to make a better showing than his account would show, and suggested to me that he should send in what insurance men called 'padded business,' some business that was not genuine, so as to make a better showing of the Boston agency. I replied to him and said, 'Mr. White, that is something I never tolerated, never would allow, and I am on record in regard to that matter.' A Chicago agent did send in a lot of padded business on which he made a claim on the company for services in getting this amount of business. 'My letter upon that subject,' I said, 'is with the company to-day, and it was remarked upon by the Superintendent of Insurance who made the last examination, giving me credit for the stand I took with regard to padded business, and I said, 'so far as I am concerned, Mr. White, I cannot encourage anything of that kind.' 'Well,' he said, 'I had a talk with Mr. Eldridge on that subject and he is in favour of it.' I said, 'All right, if Mr. Eldridge is in favour of that, he must take the responsibility,' and that is all that occurred between Mr. White and myself on the subject.

Q. You know of certain charges having been made in the Senate of Canada against the Mutual Reserve?

The CHAIRMAN.—Would it not be well to complete the investigation on that point. There are documents filed here in regard to that matter, affidavits and a statement made by Mr. Eldridge in writing. Would it not be well to cross-examine the witness, and finish that subject?

By Mr. Coster, Counsel for the Committee:

Q. That is all the conversation you had with Mr. White on that subject?—A. That is all on that subject.

Q. Did you write to him, asking him to send padded business?—A. Never.

Q. Or telegraph him?—A. No.

Q. Or communicate with him in any way?—A. Not in any way encouraging him or asking him. I have had letters from Mr. White frequently on business, but I never encouraged him to send padded business.

Q. You know of the charges which were preferred against the Mutual Reserve in the Senate?—A. I do.

Q. Before these charges were made in the Senate, did you, either directly or indirectly, instigate or suggest, that those charges should be made?—A. I did not.

Q. Did you furnish any of the material in the way of letters that were used in the Senate?—A. I did not.

Q. There was a letter written by you to President Burnham in 1898 which was quoted from in the Senate. Did you furnish any one, or cause to be furnished directly or indirectly, the copy, printed or otherwise, of the letter which was read in the Senate?—A. I did not.

Q. Do you know from whom the Hon. Senator who read that to the Senate, got the information?—A. I do not.

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Q. Had you anything to do, either directly or indirectly, with bringing these charges ?—A. I had not.

Q. When did you first hear of this investigation ?—A. I heard it through the Senate proceedings, and also a letter I think from Senator Domville after the charges had been brought. I think he sent me the Senate proceedings of that time—that is in regard to what had taken place.

Q. You were sent a notice requesting you to appear as a witness in these proceedings, were you not ?—A. I was.

Q. You are familiar with the charges you made against the management of the Mutual Reserve in 1899, to the Insurance Department of the State of New York, and referred to on page 12, section 8, exhibit No. 7, the statement submitted to the Senate by the company ?—A. I am.

Q. By whom were those charges therein referred to, against the Mutual Reserve, sworn to ?—A. Sworn to by myself and Mr. Stevenson.

Q. That is the witness that has been already examined here ?—A. Yes.

Q. At whose request were those charges made ?—A. At the request of the Superintendent of Insurance.

Q. Of New York ?—A. Of New York, Mr. Payne. I might say that prior to the charges being filed, I had an interview with the Superintendent of Insurance at Albany in regard to the charges which I brought before him, and he then requested me to put them in the form of an affidavit, and file them officially.

Q. Take article 3, section 2, of the constitution and by-laws of this company, which provides :—

‘Section 2. The directors shall elect three of their number, who shall constitute an executive committee, who shall appoint such medical examiners as they deem necessary, audit death claims, and shall determine all salaries and expenses, and shall have the power to make contracts with general agents and others for the furtherance of the business of the association, and for the benefit of its members. And under the regulations of the board they shall also exercise a general supervision over the business of the association.’

You say that you went to New York in that year ?—A. In 1885.

Q. I mean to say, after being in Canada, when did you go back to New York ?—A. In 1890.

Q. And what position, if any, were you then elected to in the company ?—A. I went to New York on business with the company, and while there the first intimation I had was that I was elected third vice-president of the company, in 1890. I then returned to Canada, wound up my affairs in connection with the general agency of the company for Canada, and returned to New York, I think, in June, 1890. I was elected as a vice-president, and subsequent to that, after the retirement of a Mr. N. W. Bloss, who had charge of the agency department, I was put in charge of the agency department all over the United States and Canada.

Q. And had you anything to do with the executive committee ?—A. That was subsequently. Subsequently I was made a director of the company, and subsequently to that, I think upon the resignation of the second vice-president, the Hon. Mr. E. H. Remmund, I succeeded him as second vice-president, and was made chairman of the executive committee. That is the best of my recollection.

Q. I have already called your attention to article 3, section 2, of the constitution, and would ask you if you know of any violations of the terms of that ?—A. I do.

Q. Can you state some instances of the kind ?—A. Yes. There is one very glaring instance, in my estimation, the payment in England to Mr. Moton D. Moss of \$7,260, £1,500, a draft made upon the company which was not referred to me—no communication with me about it, directly or indirectly. That money was paid to Mr. Moss in England. He was then an agent of the company under his first metropolitan contract, working in the State of New York, which Mr. Moss had. That

amount of money was paid to him in England by Mr. Burnham's authority, who at that time was in England with Mr. Moss.

Q. What year was that?—A. That was in 1896.

Q. Look at Exhibit No. 22, now shown you; is that a copy of the draft upon which it was paid?—A. It is.

(Exhibit No. 22.)

Ex. B (1).

\$7,260.				\$7,260
0 4.84	J. S. M.	O. K.	F. U.	
		(Signed)	Secy. Ex. Com.	
Merchants' Bank B6472 of Canada New York.	Exchange for £1,500—London	26th September, 1896.	On	
	demand pay this	First of Exchange, second not paid to	myself—or order, the sum of one thousand five hundred	
	pounds sterling.			
The Clydesdale Bank, Limited, City London.	Paid Oct. 6, '96	Mer. Bank of Canada.	Paid Oct. 9th, 1896.	
Value received which place to account of M. D. Moss, payable at the current rate of Exchange for Bank. Demand drafts on London, England.				
To the Mutual Reserve } Fund Life Association } 305 Broadway, New York }	(Signed)	MOTON D. MOSS.	Charge account M. D. Moss,	as advance.
Endorsements :				
MOTON D. MOSS,	(Signed).			
F. A. BURNHAM,	(Signed).			
Pay to the order of Merchants Bank of Canada.				
	(Signed),	GEO. THORNE.		
Please pay cheque to our order for the Merchants Bank of Canada.				
	(Signed)	J. B. HARRIS,		Agent.

Q. And also look at a copy of the voucher authorizing the payment of the money by the company—is this the voucher :—

(Exhibit No. 22.)

Ex. B. (2).

No. 62110.

NEW YORK, October 9, 1896.

The Cashier of the Mutual Reserve Fund Life Association, N.Y., will draw check to The Merchants Bank of Canada, £1,500—Seventy two hundred and sixty dollars (\$7,260), and charge the same to account of

MOTON D. MOSS,
Special account.

Check No. 48445.

To take up draft of Mr. Moss, dated London 9/26/96—

Approved by F. Underhill, Secretary, Executive Committee.

By order of the Executive Committee.

O. D. BALDWIN,
J. W. BOWDEN,
J. W. VROOMAN.

Received by—(Sgd.) Amsden—10/9/96.

Examined October 9, 1896—(Sgd.) J. S. Hoffecker.

Margin:

Sheet No. , Dues Department.

WELLS

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A. That is the voucher taking up the draft, by order of the executive committee.

Q. You knew nothing of this?—A. I knew nothing of this.

Hon. Mr. BEIQUE—Is the fact disputed?

Mr. AYLESWORTH.—No; it has been ventilated over and over again.

Q. You were then chairman of the executive committee, were you?—A. Yes.

Q. Were you notified in any way as to this draft or payment at that time?—A. I was not.

Q. When did you first learn about this payment in London to Mr. Moss?—A. I learned about the payment of that after I returned from England in 1898.

Q. Did you make any protest about it?—A. I do not know that I made any violent protest about it but I objected to it principally on account of Mr. Moss at that time being largely indebted to the association. He had got a large sum under his metropolitan contract.

Q. Did Mr. Moss repay the amount of this loan, or whatever you call it?—A. Mr. Moss claimed that he repaid the amount to Mr. Burnham personally, but it never was paid to the company by Mr. Moss or Mr. Burnham.

Q. How was it disposed of on the books of the company?—A. A credit was given to Mr. Moss for exactly the amount, \$7,260; a credit was given him for services rendered, outside and apart from the metropolitan agency.

Q. Look at Exhibit No. 23 now produced. Is that a copy of the voucher authorizing that amount to be credited to his account?

(Exhibit No. 23.)

Exhibit B. (3.)

No. 5125.

NEW YORK, December 28, 1896.

The book-keeper of the Mutual Reserve Fund Life Association will credit Moton D. Moss, special account, Seventy two hundred and sixty dollars (\$7,260), and charge the same to account of Agency Expenses for special services in Agency Department outside and apart from Metropolitan Department last half of year 1896.

By order of the Executive Committee.

Signed F. A. BURNHAM,
J. W. VROOMAN,
G. D. ELDRIDGE.

O.K. Examined

(Signed) Dec. 28/96

F. U. (Signed) J. S. Hoffecker.

Margin:

Dues Department.

A. It is.

Q. Who was this Moton D. Moss?—A. Mr. Moss was a gentleman who came over from England in, I think, 1895—the latter part of 1895, I am not quite certain—Mr. Burnham claimed, at least he told me—

Q. That is the president, Mr. Burnham?—A. Yes, President Burnham—that he had met Mr. Moss in London on a former visit to England, when he was over there with Mr. Harper, they had met Mr. Moss at that time. When he arrived in New York he came immediately to see Mr. Burnham. Mr. Burnham sent down for me. My office was one or two flats below the head office. I went to his office, and he introduced me to Mr. Moss, he remarking that Mr. Moss was the greatest producer in the world of business, and probably the best insurance man there was in the business. He said: 'Now, Mr. Wells, I want you to take Mr. Moss down to your office, and make a contract with him for business in the state of New York. We must not let Mr. Moss away from us. He is here now, and we must have a contract with him, and keep him in the service of the company.'

WELLS

Q. Prior to Mr. Burnham introducing him to you, had you ever met him, or had you heard anything of his history?—A. I had never met him, or knew anything about him whatever.

Q. Do you know how long Mr. Burnham had known him at that time?—A. No. I simply had his word that he had met him in London.

Q. You made a contract with him?—A. I did.

Q. Have you a copy of that contract?—A. I have not.

Q. Do you remember the terms of it?—A. I think I can.

Q. Will you have a copy of it produced?—A. It has been sent for. I think I wrote to my office about it.

Q. Give the terms of it shortly?—A. It was a contract giving him a 75 per cent commission, and the ordinary renewal commissions paid other agents, and I think a salary of \$100 a week.

Q. When was that contract terminated?—A. That contract was terminated when contract No. 2 in 1897 was executed.

Q. When contract No. 2 was executed, what was the state of Mr. Moss's account with the company?—A. As I said before, this account—I learned afterwards—he was indebted under this contract to the extent of between twenty-nine and thirty thousand dollars.

Q. Then you say a new contract was made with him?—A. A new contract was made with him in January, 1897—January 7th.

Q. Look at Exhibit No. 24 now produced—is that a copy of the second contract that was made with him?

STATE OF NEW YORK,

INSURANCE DEPARTMENT,

ALBANY, June 28, 1904.

I, FRANCIS HENDRICK, Superintendent of Insurance of the State of New York, do hereby certify that I have compared the annexed copy of contract between the Mutual Reserve Fund Life Association of New York, and Moton D. Moss, dated January 7, 1897, together with contract dated January 22, 1898, between same parties, and referred to in report on examination of condition of affairs of said association, made by Chief Examiner Vanderpoel, dated August 22, 1899, with the copies on file in this department, and that the same are correct transcript therefrom and of the whole of said copies.

(Seal.) In witness whereof, I have hereunto set my hand and seal and affixed my official seal, at the City of Albany, the day and year first above written.

(Signed) FRANCIS HENDRICKS,
Superintendent of Insurance.

NEW YORK, January 7, 1897.

Mr. MOTON D. MOSS,
Mutual Reserve Building,
New York City.

DEAR SIR,—You are hereby appointed general manager of this association to take charge of its agency business in the United States, and to procure and effect applications for insurance that will be satisfactory to the association. In accordance, however, with the settled rule and practice of the association, it must be understood that no portion of said territory of the United States is assigned exclusively to you.

You are to devote your entire time and best energies to the service of the association, and to efficiently occupy and work said territory, in accordance with the rules, regulations and instructions of the association. You are not to engage in any other business or in any speculative or stock transactions.

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The compensation to be allowed you shall be as follows, viz. :—

Upon the five year combination option plan eighty-five (85) per cent of the first year's premium, and renewals upon the second and subsequent year's premiums at the annual rate of one dollar and fifty cents (\$1.50) per thousand of insurance.

Upon the ten years' distribution deposit plan fifty (50) per cent of the first year's premium and renewals upon the second and subsequent year's premiums at the annual rate of seventy-five cents (\$0.75) per thousand of insurance.

These renewals commissions are to be paid only during the term of your service with the association under this arrangement, but in case of the termination thereof, provided you remain loyal to the association and do not write business for any other insurance company or association, or in any way connect yourself with any such company or association, said renewal commissions shall be paid to you for a period of five years after such termination.

No compensation or commission shall, however, be payable to you unless the premium or payment upon or from which the same is to be allowed has been received in cash by the association.

The association will advance to you the sum of thirty-five hundred dollars per week for advances to agents, such sum to be deposited in bank weekly to your credit as general manager, subject to your check, such amount to be charged to your account and to be accounted for in detail with proper vouchers whenever requested by the association.

The association will provide you with suitable office accommodations at its home office, and such clerical and other assistance as may be necessary, at an expense, however, not exceeding \$200 per week.

The association will also pay the rent of such branch offices as may be found necessary for the transaction of its business, not exceeding, however, in the aggregate, the sum of twenty thousand dollars per annum.

All other expenses shall be borne and paid by you.

In addition to the commissions hereinbefore enumerated, your salary of one hundred dollars per week upon the pay-roll shall be continued.

This arrangement shall take effect as of January 1st, 1897, and shall continue for the period of two years, if satisfactory to the association, but the association shall have the right to terminate the same at any time during said period at its option.

This appointment, or any of the benefits to accrue thereunder, shall not be assigned or transferred, either in whole or in part, without the written consent of the association.

All previous contracts or agreements are hereby terminated, but notwithstanding such termination the commissions or bonuses on business secured under the same shall be allowed you, subject to the terms and conditions of this arrangement and of said terminated contracts or agreements.

Yours very truly,

(Signed) J. D. WELLS,
GEORGE W. HARPER,
GEO. D. ELDRIDGE,
Executive Committee.

I hereby accept the foregoing appointment, subject to all the terms and conditions contained therein, by all of which I agree to be bound.

Dated New York, January 7th, 1897.

(Signed) MOTON D. MOSS.

This agreement, made and entered into this twenty-second day of January, in the year one thousand eight hundred and ninety-eight, by and between the Mutual Reserve Fund Life Association, a corporation duly organized and existing under the laws of the State of New York, and having its principal place of business in the City of New York, of the first part, and Moton D. Moss, of said city, of the second part, witnesseth as follows:—

First, That the contract or agreement heretofore existing between the parties hereto dated January 7th, 1897, and consisting of an appointment in writing by the executive committee of said association of said party of the second part as general manager of the association to take charge of its agency business in the United States, and the acceptance of such appointment subject to the terms and conditions thereof by said party of the second part, be and the same hereby is cancelled and terminated as of January 1st, 1893, and each of the said parties thereto released from each and all the obligations thereof.

Second, That the said party of the second part is hereby appointed general manager of the said association to take charge of its agency business in the United States, and elsewhere as directed, and to procure and effect applications for insurance that will be satisfactory to the association, upon the express understanding and agreement, however, that no portion of said territory is assigned exclusively to said party of the second part.

Third, That the said party of the second part agrees to devote his entire time and best energies to the service of said association, and to efficiently occupy and work said territory in accordance with the rules, regulations and instructions of said association. That he also covenants during the continuance of this agreement not to engage in any other business, or in any speculative or stock transactions.

Fourth, That the compensation to be allowed said party of the second part shall be an over-riding commission of ten (10) per cent of the first year's premium received from and after the commencement of this contract upon business secured in the United States under either the five year combination option plan or the ten years' distribution deposit plan, with renewals upon the second and subsequent years premiums upon said business at the annual rate of one dollar and fifty cents (\$1.50) per thousand of insurance, on the five year combination option plan, and seventy-five cents (75 cents) per thousand of insurance on the ten years' distribution deposit plan, such renewals, however, to be subject to the deduction of the amount of commissions or other compensation paid or payable to other agents upon said business.

That of the aforesaid over-riding commission of ten (10) per cent upon the first year's premiums, the said party of the second part shall be paid five (5) per cent, or one-half thereof monthly, in accordance with monthly statements to be rendered to said party of the second part, and approved by each of the parties hereto, and that the remaining half of said over-riding commission of ten (10) per cent shall be held by the said association as security for advances made to agents under this contract, and be allowed and paid to the said party of the second part only to the extent that such advances are secured and covered by the deferred commissions and renewals of agents to whom advances may have been made, based upon a three years' purchase.

Fifth, That said renewal commissions are to be paid only during the term of service of said party of the second part with the association under this contract, but in case of the termination thereof, upon the condition that he remains loyal to the association and does not write business for any other insurance company or association in America, or in any way connect himself with any such company or association, said renewal commissions shall be paid for a period of five years after such termination. No compensation or commission shall, however, be payable to the said party of the second part, unless the premium or payment upon or from which the same is to be allowed has been received in cash by the association.

Sixth, That the compensation which said party of second part may pay to agents or managers shall not exceed the following, that is to say:

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On the five year combination option plan sixty-five (65) per cent of the first year's premium, and renewals upon the second and subsequent years' premiums at the annual rate of one dollar and fifty cents (\$1.50) per thousand of insurance.

Upon the ten years' distribution plan forty (40) per cent of the first year's premium, and renewals upon the second and subsequent years' premiums, at the annual rate of seventy-five cents (\$0.75) per thousand of insurance; renewal commissions under either plan to be paid only during the term of service of the agent with the association under his contract.

Seventh, That the association will advance to the said party of the second part a sum not exceeding twenty-five hundred dollars (\$2,500) per week for advances to agents, said sum to be deposited in bank weekly to his credit as general manager, subject to his cheque as such said amount to be charged to his account and to be accounted for in detail with proper vouchers whenever requested by the association, and said advances to be approved from time to time by the agency or executive committee of the association.

Eighth, That the association will provide the said party of the second part with suitable office accommodations at its home office, and such clerical and other assistance as may be necessary, and will pay the usual necessary expenses incident to the transaction of the business, for printing, stationery, advertising, &c., and that it will also pay the rent of such branch offices as may be found necessary for the transaction of its business.

Ninth, That this agreement shall take effect as of January 1st, 1898, and shall continue for a period of two (2) years from said date, but said association shall have the right to terminate the same at any time during said period, at its option, and the said party of the second part shall have the right to likewise terminate the same at any time after the expiration of one year from said date.

Tenth, That this agreement, or any of the benefits to accrue thereunder, shall not be assigned, or transferred either in whole or in part without the written consent of said association.

Eleventh, That all previous contracts or agreements between the parties hereto are hereby terminated, but notwithstanding such termination the commissions or bonuses on business secured under the same shall be allowed to the said party of the second part subject to the terms and conditions of this agreement and of said terminative contracts or agreements, except the commissions, bonuses, or other compensation under said agreement or appointment of January 7th, 1897, of and from which commissions, bonuses or other compensation under such last mentioned contract the said party of the second part hereby releases and discharges said association, the said association in turn assuming all liability to agents for commissions, bonuses, or other compensation accrued or to accrue under contracts now on file with said association.

In witness whereof, the said party of the first part has caused these presents to be signed by its executive committee, and the said party of the second part has hereunto subscribed his name at the City of New York, this 22nd day of January, 1898.

In duplicate.

(Signed) JOHN W. VROOMAN,
F. A. BURNHAM,
GEORGE D. ELDRIDGE,
Executive Committee.
MOTON D. MOSS.

Read in full to and ratified and confirmed by the board of directors, this 27th day of April, 1898.

CHARLES W. CAMP,
Secretary.
WELLS

A. Yes, that is a correct copy.

Q. Under what circumstances was this contract of January 7, 1897, made?—A. Mr. Burnham sent for me—

Hon. Mr. BÉRIQUE.—Is it claimed that they are improvident contracts?

Mr. COSTER, K.C.—No, not all the time. It is contended that the contract, after it was executed, was changed without the knowledge or consent of the executive.

Q. Now, this contract of January, 1897, was drawn by Mr. Burnham, was it?—A. Mr. Burnham sent for me, and I went to his office, and for the first time, he informed me that he had made different arrangements with Mr. Moss, made a new contract with him, taking in or placing under his control the entire United States. He then produced a copy of the contract drawn up in duplicate, which he handed me, after explaining the general provisions of it, and wanted me to look over it, and see what I thought of it. This I did, read it over once or twice, and then I said to him: 'Well, Mr. Burnham, this is a very unusual, extraordinary contract, but with a man of Mr. Moss's ability and great business-getting powers'—at that time I supposed Mr. Moss was all right, I knew nothing about his personal matters—'I do not see anything objectionable to the contract, and I am willing to execute the contract.' That was after considerable talk.

Q. You signed the contract, as a matter of fact?—A. I did.

Q. You say it was not the contract that you objected to? What did you object to?—A. I never objected to the terms of the contract. I state that emphatically, because a good deal of a handle is made of it. I take my own share of responsibility for signing that contract, the terms of which I have never repudiated or criticised, but what I did criticise was the violation of the terms of that contract.

By the Chairman:

Q. By whom?—A. The violation of the terms of that contract under the orders of the president.

By the Hon. Mr. Béique:

Q. Does it apply to the first contract, too?—A. No, the first contract was cancelled.

Q. Did you take your share of responsibility for that first contract as well?—A. The first contract I made myself.

By the Hon. Mr. McSweeney:

Q. What were the terms of that second contract?—A. Mr. Moss was appointed general manager of the entire association doing business in the United States. He was to devote his time to the work. The compensation, giving the different plans of insurance, was 85 per cent of the first year's premiums and renewals, upon the second and subsequent years' premiums, at the rate of one dollar and a half per thousand insurance. Upon the ten-year distribution plan, there was only 50 per cent of the first year's premium allowed him, and the renewals at the rate of 75 cents on each renewal, instead of the dollar and a half upon the five-year plan. These renewals were paid only during the term of his services with the association, and, under this arrangement, in case of the termination thereof, provided he remained loyal to the association and did not write business for any other company or in any other way connect himself with such company or association, such renewals were to be paid to him for five years after the termination of this contract. No compensation or commission, however, to be paid him, and here is what I wish to emphasize—'no compensation or commission shall, however, be paid to you, unless the premium or payments upon or from which the same is to be allowed, has been received in cash by the association.' That was one of the important provisions of the contract. The WELLS

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next important one was: 'The association will advance to you the sum of \$3,500 per week for advances to agents, such sum to be deposited in bank weekly to your credit as general manager, subject to your cheque, such amount to be charged to your account, and to be accounted for in detail, with proper vouchers, whenever requested by the association.'

Q. That is the way the contract was when you signed it?—A. That was the original contract.

Q. Is there anything else you want to call attention to?—A. Yes, there was a salary of \$100 a week to enable him to live upon in the meantime, as he was a very poor man when he came there and had not a dollar in the world—this hundred dollars a week was given him in addition to the commission allowed to him in the contract.

By the Hon. Mr. Watson:

Q. You approved of this contract?—A. I signed it.

Q. You approved of it?—A. Certainly I did; I signed it. I was one of the parties who executed the contract.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Who called your attention first to the violation of the terms of this contract?—A. When I returned from England a short time afterwards—

Q. When was that?—A. In 1896, about the first of May, or somewhere there. I do not remember the date exactly.

Q. Who was it?—A. The first intimation I had of violations of the contract, my attention was directed to it by the treasurer, the Hon. Mr. Vrooman.

Q. The Hon. John W. Vrooman?—A. Yes.

Q. And anybody else?—A. And the auditor, Mr. J. S. Hoffecker.

Q. Would you kindly explain to the committee the terms of the contract with reference to the advances of \$3,500 per week: what was required of Mr. Moss, and what should he have done?—A. This amount of \$3,500 a week was advanced to Mr. Moss against the commissions earned by himself and the agents throughout the United States. The amount was to be charged him, as against those commissions, and when the premiums were paid upon the policies issued, he was to get credit for eighty-five per cent upon the entire premium.

Q. He would pay sixty-five per cent to his agents?—A. Or whatever he agreed. In some cases, he may have paid less, and in some more, though I doubt it, and the difference that would accrue to him on the average probably would be about twenty per cent, an over-riding commission that he would make on what he paid his agents and the commissions called for by the contract.

Q. Then he was to get vouchers from those agents?—A. He was to produce vouchers for the advances to his agents for this \$3,500 per week.

Q. Now what did he do as a matter of fact?—A. Instead of his producing vouchers, as required by the contracts, he made up a monthly statement of the different agents to whom he made advances, and brought them into the auditor or whoever had charge of the books, and those statements were placed to his credit actually, thus taking out of the advances which were made him against the entire commissions allowed by the contract—it was placing to his credit all the advances he had made to the agents, which was contrary to the spirit and terms of the contract, and which virtually made him a present of \$3,500 a week, besides his over-riding commission. That was the result of it.

By the Chairman:

Q. How long did that last?—A. It lasted for an entire year—until I got back.

Q. This was during your absence?—A. There was another contract made which I will come to.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Supposing Mr. Moss had presented the actual vouchers, would it have been right to place to his credit the amount of those vouchers?—A. Certainly not. The requirement of the contract that he should produce vouchers was simply a check on him in the distribution of this \$3,500 a week, which was to remain charged to his account—simply as a check in the distribution.

Q. It was to have been paid in actual cash?—A. Certainly, on business done by the agents. The \$3,500 was a charge against the whole 85 per cent.

Q. What was the amount in 1897 represented in the statements from Mr. Moss as having been advanced by him to his agents and with which, you say, he was improperly credited?—A. About \$158,000, if I remember right.

Q. What amount did Mr. Moss actually owe the company at the end of December, 1897, under this contract?—A. I should say there was at least—it would be pretty hard to tell exactly the whole amount because there was a dispute about certain items, but I should say, admitting their contention of a credit of \$93,000, which I think will be explained before we get through, but independent of that \$93,000, I think Mr. Moss owed under that contract altogether somewhere in the neighbourhood of two hundred and forty or fifty thousand dollars.

By the Hon. Mr. Béique :

Q. When?—A. At the termination of that contract at the end of December, 1897.

By the Hon. Mr. McSweeney :

Q. He owed that to the company?—A. He owed that to the company.

By the Hon. Mr. Béique :

Q. That is the termination of the second contract?—A. Yes. Aside from the proper credits of the amounts advanced by Mr. Moss to his agents, there were other large sums of money paid him and charged to his account.

By Mr. Coster, K.C., Counsel for the Committee:

Q. On discovering this what did you do?—A. On discovering this I went to see Mr. Burnham to remonstrate with Mr. Burnham and lay before him what I had discovered. After talking the matter over with Mr. Burnham and pointing out the irregular way in which the books were kept, he opened up his desk and produced a contract, first contending that it was quite regular and quite proper that Mr. Moss should be credited with all the moneys he had paid out to his agents. That was the contention between us for a little time. We had some hot words about it, and then he pulled out of his desk what purported to be the original true copy of the contract, pointing to a clause in that contract, this clause:—

‘The association will advance to you the sum of \$3,500 per week for advances to agents, such sum to be deposited in the bank weekly to your credit as general manager, subject to your cheque, such amount to be charged and to be accounted for in detail with proper vouchers whenever requested by the association.’

Q. That is the way it was?—A. That was the original.

Q. And when he produced it to you?—A. When he produced the contract in contention of this argument that it was proper book-keeping, and it was quite proper to credit him with these amounts which Mr. Moss had paid to his agents, the contract that he presented to me had after the words ‘Such amount to be charged to your account,’ the following words were eliminated:—

‘And to be accounted for in detail with proper vouchers whenever requested by the association.’ Those words were eliminated and the following words were substituted: ‘And remain so charged until’—mark the words—‘satisfactorily accounted for.’ Those were the words substituted for, ‘and to be accounted for in detail with proper vouchers whenever requested by the association.’

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By the Chairman :

Q. Was the contract that he produced signed by yourself?—A. Oh, yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. In order to make that change, were the words underlined or scratched out, or how was it done?—A. No, the manner in which it was done, and which is admitted by Mr. Moss to me, and generally a statement made to his attorney—

Mr. AYLESWORTH.—I object to that.

—A. (continued) You see the contract was drawn up on three typewritten sheets, not the ordinary printed form used by the company, but on three sheets. The middle sheet of the contract was abstracted and the whole sheet written over again and substituted.

By the Hon. Mr. Béique :

Q. Is that to your knowledge?—A. It could not be any other way. That is the only way that alteration could occur, by taking out the middle sheet and writing it over again, which was the case with that contract which he showed me.

Q. The contract which he showed you bore your signature?—A. Oh, certainly, in three sheets.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Did you express your astonishment that such a clause should be in that contract?—A. I did, and I said after reading it through—the contract which he showed me—I said: ‘Good heavens, Mr. Burnham, we never signed a contract of this kind.’

Q. What did he reply?—A. He went on contending ‘Mr. Wells, yes, that is the contract we all signed; perhaps it was a mistake, but that is the contract unquestionably that we all signed and there we are obliged to give Mr. Moss credit for the amounts he paid out’.

By the Hon. Mr. Béique :

Q. Had you kept the copy of the contract that you had signed?—A. Myself?

Q. Yes?—A. No, certainly not.

Q. Then it was from memory that you could make that point?—A. Yes, that point I was familiar with, I never would have signed the contract as Mr. Burnham read it. My business was making contracts. I had made some four thousand of them and I knew my business better than to sign a contract like that. No man in his senses would—that is as he represented it.

By the Chairman :

Q. The allegation you make is that the copy shown you by Mr. Burnham was not the original?—A. The copy that he showed me. There were two copies, one made for Mr. Moss and the other for the office—in duplicate. I will explain presently that Mr. Moss's copy Mr. Burnham got back from Mr. Moss and he had Mr. Moss's contract and the office contract, one of which he altered as I am just relating.

Q. Did he not alter both contracts?—A. No. He had Mr. Moss's copy of the contract delivered to him.

Q. He had both in his possession?—A. Precisely, he had both in his hands.

By the Hon. Mr. Béique :

Q. Let me understand; you say that the contract was executed in duplicate?—A. Yes.

Q. And one copy was delivered over to Mr. Moss?—A. To Mr. Moss.

Q. And the other remained in the possession of the president?—A. Precisely.

Q. And when you had that interview with the president he showed you the duplicate which he had kept?—A. One copy of the contract, because they were both precisely alike. He showed me one altered.

Q. You claim that the one he showed you had been altered?—A. Yes.

Q. To the extent you have mentioned?—A. Precisely.

Q. Did you at the time refer to Mr. Moss?—A. I did later.

Q. How long after?—A. Some time afterwards I had a talk with Mr. Moss. I will tell you the circumstances if you like.

Q. How long after?—A. It was some time after I had left the association that I met Mr. Moss.

Q. But from that time until the time you left the association you never referred to Mr. Moss's copy of the agreement?—A. Not at all, I never saw him. I was not on terms with Mr. Moss at the time, but I knew perfectly well there had been an alteration of the contract, which I shall confirm, in my opinion, later, substantially.

Q. You think the change to which you called attention changed the meaning of the contract?—A. Oh, certainly. It is so admitted by lawyers and everybody else who have looked at it.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Perhaps you had better explain to the Committee what you say is the difference in the effect of them?—A. Take the contract as originally executed, the amount of \$3,500 per week was to be charged to his account and remain charged, but it was to be accounted for. It was the duty of the company, under the contract, to say to Mr. Moss 'What have you done with that \$3,500? Have you distributed that properly?' Mr. Moss was to produce the vouchers from the men to whom he had advanced this money, showing what he had done with the \$3,500 a week, which was to be charged to his accounts. Now with the elimination of the words 'and remain so charged until satisfactorily accounted for,' the word 'until' decidedly says it is to remain charged until a certain time, until it is accounted for, then it is to be taken out. In the altered form it was to remain charged until an event happened, that event was 'satisfactorily accounted for.'

By the Hon. Mr. Béique:

Q. Where was this copy of the contract that you produce taken from?—A. That was, I think, produced upon a trail first, and a copy made from that. This particular one I received. They were placed all before General Tracy, and after the case was got through with, all the papers in his hands were handed over to me.

Q. Was this copy which you produce made from Mr. Moss's copy or that of the president?—A. That of the president. This is a copy of the president's copy, the original contract.

Q. Then how is it, as you claim, the clause read 'and remain so charged until satisfactorily accounted for' that these words are not found here?—A. You do not suppose that Mr. Burnham ever furnished the superintendent with the altered contract. He produced the original. He had two contracts, and he produced the original to the superintendent. When I called the attention of the superintendent to the altered clause, Mr. Burnham was aware of it, and he gave the superintendent the true copy. He did not give him the altered copy, the one he showed me on my return from England, but he produced to the superintendent the original copy, which the superintendent brought to me and we examined it carefully as to the change. I tell you I was a little staggered that the change was not there, and it was not until I learned that Moss's contract had been given up to him that there was a solution of the whole thing.

Q. I want to give an opportunity to remove a difficulty that there is in my mind; I understood you to say that there were two copies of that contract?—A. It was in duplicate.

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Q. Two original copies?—A. Not two original; there was the original and a duplicate.

Q. The contract was executed in duplicate?—A. Yes.

Q. And you said one copy remained with Mr. Moss and the other with the president?—A. For a time.

Q. And you claim that that of the president was altered when you saw it?—A. The one he showed me.

Q. He had only one?—A. The other had been returned by Mr. Moss. Mr. Moss's copy he had got back, so he had two.

Q. Then this copy which you filed, instead of being made from that of the president was made from that of Mr. Moss, that is what I understand you to say?—A. I do not know which one.

By the Chairman:

Q. You say this was made from a copy that was produced in court?—A. Mr. Burnham gave the Superintendent of Insurance one of the copies; that is the true copy. Now the Superintendent of Insurance, upon being called upon to give certified copies of the contract which Mr. Burnham gave him furnished that. That is how this originated, which the lawyer had in his possession in making out a petition.

Hon. Mr. BÉIQUE.—With a view to shortening the issue on this point, may I ask if it is admitted that the contract as executed read as in the copy which has been produced to-day? I see that the copy produced yesterday is the same?

Mr. AYLESWORTH.—It is claimed that there never was a change of any description.

WITNESS.—When he was found out he substituted the true contract.

By Mr. Coster, K.C., Counsel for Committee:

Q. Were you ever examined before the Department of Insurance of New York on these charges?—A. Never.

Q. When Mr. Moss came there to New York. You say he had not any money?—A. He had not. He was quite poor.

Q. After he got this contract, did he show evidence that he had means at his disposal?—A. I should say so. Vanderbilt was not in it, or anybody else in New York so far as I know.

Q. State shortly some of the evidences of it?—A. Mr. Moss gave evidence of the greatest luxury that a man of Vanderbilt's wealth could only do in his manner of living and display. Take for instance his livery. He had at least nine horses, to my knowledge, and he had an opera omnibus.

By the Hon. Mr. Domville:

Q. What is an opera omnibus?—A. For going to the opera. He had one of them. He had sleighs and magnificent robes and livery and took swell apartments at a very expensive hotel, Hotel Majestic of New York, and all the evidences of a nouveau riche he displayed in a most extravagant way.

By the Hon. Mr. Béique:

Q. What amount did he derive from his contract as it should have been interpreted; what amount was he likely to derive?—A. That is if the contract had been carried out?

Q. Yes?—A. He should have made a very fair profit, but not a great deal.

Q. About how much?—A. If the provisions of the contract had been carefully carried out, it is hard to say what he should have made under the circumstances, because the business did not continue.

Q. During 1897, how much did he make from his contract?—A. From the contract, if properly carried out, I do not think he would have made anything at all. I think it would have been pretty evenly balanced the way he was doing it. He was giving the agents money and allowing them to keep all the commissions and he could not have made much money out of them. They not only got the advantages, but they retained the commissions as well.

By the Hon. Mr. McSweeney:

Q. Your contract would have been a good contract for him?—A. Yes, a very good contract, if carried out; and if Mr. Moss had made his agents come to time and returned the commissions in cash against which he had made advances. Mr. Moss had a very good and very fair contract, but they kept the commissions and advances both.

By Mr. Coster, K.C., Counsel for the Committee:

Q. When you say they kept the commissions, is that another violation you speak of—that the agents retained all the commissions?—A. Yes, in some cases they did. In some cases they kept 65 per cent and returned 35 per cent to the company; but in the majority of cases they retained the whole 65 per cent and the advances made by Mr. Moss to them. What they should have done was to return the whole premium, having received advances from Mr. Moss in excess of those premiums they were receiving at the time, so all those commissions should have come back to the company and that would have recouped them for those large advances to Mr. Moss.

Q. And that would have been properly credited to Mr. Moss against these advances?—A. Certainly.

Q. What you mean by this contract, as I understand, was Mr. Moss was bound to give vouchers for distributing to the agents in the first place to show that he was not keeping it himself, and then that was to remain charged to him until the agents paid it back in cash?—A. Certainly.

Q. But as a matter of fact, under this contract, the way they worked it they allowed it to remain charged to him only until he gave the vouchers, and then they wrote it off?—A. Yes.

Q. So they gave him credit without getting any money?—A. Yes, in many cases. In other cases the agent not only retained his commission, but the entire premiums and when they sent in accounts Mr. Moss was credited with 20 per cent, his over riding commission upon the premium, without the company getting a cent and then retaining everything.

Q. What would that make the cost of the business?—A. In cases of that kind it would make the business 100 per cent and the twenty per cent.

Q. And the advances in addition?—A. And the advances in addition, that is in cases where the agent retained the whole of the first premium.

Q. You say Mr. Moss owed the company how much altogether?—A. I should say that Mr. Moss, on determination of that contract, owed the company at least two hundred and forty or two hundred and fifty thousand dollars, if the account had been properly made up.

Q. When was this contract cancelled do you know?—A. This contract was cancelled early in 1898.

Q. January 1898?—A. Yes, January 1898.

Q. Did you sign this new contract?—A. I did not. That was made while I was in England.

Q. What were you doing in England?—A. I was there on business of the company.

Q. For how long?—A. I was there I should say about ten months. I left New York in 1897, early in June or July and I did not get back until 1898, in May, I think.

Q. Have you read that contract?—A. I have read it. I read it at the home office. I have not had it in my possession lately.

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Q. In what respects did it differ from the previous one?—A. It differed in a few respects. In the first place the advances were reduced to \$2,500 a week instead of \$3,500 a week.

By the Hon. Mr. Béique:

Q. I see the \$3,500 per week was reduced to \$2,500?—A. Yes, and there are other important changes in it.

Q. It read in the same way 'Advances to agents'?—A. Exactly. There is an amount retained of his commission by the association which was not in the other. The compensation to be allowed said party of the second part shall be an overriding commission of ten per cent of the first year's premium received from and after the commencement of this contract, upon business secured in the United States under the different plans. Here is the point I wish to get at—'That of the aforesaid overriding commission of ten per cent upon the first year's premium the said party of the second part shall be paid five per cent, or one half thereof monthly, in accordance with monthly statements to be rendered to said party of the second part, and approved by each of the parties hereto, and that the remaining part of said overriding commission of ten per cent shall be held by the said association as security for advances made to agents under this contract, and be allowed and paid to the party of the second part only to the extent that such advances are secured and covered by the deferred commissions and renewals of agents to whom advances may have been made, based upon a three years purchase.' I contend there is proof of what the intention was in the former contract as to advances being charged directly to his account and remain charged, because there they make provision for getting back a portion of those advances, one half of ten per cent or five per cent to be applied to losses of agents to whom he would make advances.

By the Hon. Mr. Béique:

Q. They made him guarantee advances?—A. Yes, out of the commission.

By the Hon. Mr. McMullen:

Q. What moneys were those advances made out of? Were they assessments on policies?—A. They were made out of the general funds. They must have come out of the dues account of the funds of the company. I would not say they were taken out of the mortuary moneys. They were taken no doubt out of the dues account. The dues account is an account if there was any excess over expenses they could be applied to payment of death losses, but that never occurred in the history of the company, as far as my knowledge goes, but that was the provision made, I think, in the constitution and bylaws that any excess of the dues money should go to the mortuary account.

By Hon. Mr. Beique:

Q. Had you anything to do with the making of the third contract?—A. I was in England at the time.

By Mr. Coster, K.C., Counsel for the Committee:

Q. He got \$1.50 per thousand on renewals?—A. Yes.

Q. Was the contract carried out?—A. It was not. There was a very important violation of that contract.

Q. In what respect?—A. Instead of confining the advances to \$2,500 a week, as provided in the contract, the advances under the old contract were continued of \$3,500 a week, until about my return, or just about before I came home. They paid \$3,500 altogether that was abrogated and \$2,500 should have been paid.

By the Hon. Mr. Watson:

Q. What is the difference between the dates of the contract?—A. More than a year's difference, and it was kept up I think for several weeks after the execution of the contract.

Q. That is contract No. 3?—A. Yes, contract No. 3.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I think the letter of John W. Vrooman has already been put in evidence?—A. Yes.

Q. These are some of the irregularities that Mr. Burnham's attention is called to in that letter?—A. Yes.

Q. Did any others than Mr. Vrooman and yourself call his attention to irregularities?—A. Yes, the auditor, Mr. Hoffecker, sent him the following letter: (Filed as exhibit No. 24.)

APRIL 22, 1898.

F. A. BURNHAM, Esq.,
President.

DEAR SIR,—I cannot conscientiously make the adjustments called for by the enclosed orders, while the accounts involved are in their present condition.

If such protest should terminate my connection with this association, this letter will serve as my resignation.

I have always endeavoured to follow your early instructions to me: to act without fear or favour; and in this instance, feel that I am but strictly adhering to my duty.

Yours very truly,

J. S. HOFFECKER,
Auditor of Accounts.

Q. Is the letter now produced in Mr. Hoffecker's handwriting and a copy of a letter he sent to Mr. Burnham?—A. Yes, that is upon a particular matter which I will explain.

By the Hon. Mr. Beique:

Q. Have you any means of tracing what the enclosed orders were? A. Yes. The orders there that he refers to were a matter of commission claimed by an agent by the name of Halsey. Under the metropolitan contract, the first contract, it seems Mr. Moss was paid the entire commissions including and due Mr. Halsey on business that Mr. Halsey had secured. This commission he did not allow Mr. Halsey and did not repay him. Mr. Halsey handed over the entire cash to Mr. Moss, which Mr. Moss retained, paying the company, I suppose, the twenty-five per cent or whatever the difference was between the conditions allowed under his contract and one hundred per cent. Advances were made to Mr. Halsey amounting to about \$8,000; advances and balances due him \$8,000.

By the Hon. Mr. Watson:

Q. By Mr. Moss?—A. No, but by the company. At that time, under the first contract, Mr. Halsey claimed there were three thousand dollars commissions on business which he should have credit for, thus reducing his account from \$8,000 to \$5,000. Accounts were brought to Mr. Hoffecker to 'O.K.' for this \$3,000 and charge the amount to Mr. Moss's account. This the auditor refused to do. He said, 'we paid already the commissions upon this business to Mr. Moss; therefore, I object to paying it over again or crediting Mr. Halsey with commissions, which will be equal to paying the commissions twice.' The matter was referred to the president. I think we have an affidavit from Mr. Hoffecker relating the whole of the circumstances. The matter was referred to the president who took the ground that Mr. Moss's account ought to be good for it. Mr. Hoffecker took the ground that he did not think it was, and that he should not

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audit those accounts in that way. That is what he refers to. Subsequently I saw the account myself. The amount was credited to his account, and at that time he had his account showing a balance of \$5,000, while the books showed \$8,000. They did not pass the credit on the books, although, in his account, they did give him credit for the \$3,000, irrespective of Mr. Hoffecker's protest.

By Mr. Coster, K.C., Counsel for the Committee:

Q. At page 10, section 2, of the statement submitted to the Senate by the company, it reads as follows:—

'In the matter of the letter of one Hoffecker, formerly a clerk and one of the auditors of the company, it is sufficient to say that he was discharged from the employ of the company for an attempt to extort the very large increase in salary by threats against the management, and in this discharge Mr. J. B. Wells participated.'

What have you to say about that?—A. That is entirely incorrect.

Q. I call your attention to these documents—tell me what they are?—A. This first one is a copy of a letter written to me by J. S. Hoffecker, as chairman of the executive committee.

Q. Inclosing a copy of his resignation sent that day to the president?—A. Yes.

(Filed as Exhibit No. 25.)

MUTUAL RESERVE BUILDING,
305, 307, 309, BROADWAY, NEW YORK, July 9, 1898.

J. D. WELLS, Esq.,
Chairman Executive Committee.

DEAR SIR,—I herewith inclose a copy of my resignation which I have this day sent to President F. A. Burnham.

Yours very truly,

J. S. HOFFECKER,

MUTUAL RESERVE BUILDING,
305, 307, 309 BROADWAY, NEW YORK, July 9, 1898.

F. A. BURNHAM, Esq.,
President.

DEAR SIR,—I hereby tender my resignation, to take effect at once.

Our ideas of common honesty and integrity of management which pledge us to the members of this association, are so radically different, that, possessed as I am of the personal and positive knowledge of so many questionable transactions which have been approved by you, I cannot and will not be further connected with this association under your management.

Yours truly,

(Signed) J. S. HOFFECKER,

Auditor of Accounts.

Q. Would you kindly explain to the members of the Committee what you did when you received this letter of Mr. Hoffecker's, resigning?—A. Mr. Burnham received that letter and called the executive committee together. There were present Mr. Eldridge, Mr. Burnham, myself, and I think—I am not quite certain, but I think—one other member, Mr. Harper, a brother of the late president. I think he was present. The committee were convened, and he read this letter of Mr. Hoffecker's and was very much exasperated, and, of course, denounced him in every way he could for writing a letter of that kind, and instead of accepting his resignation, he proposed then and there it should go on the books that he should be dismissed. That accounts for his dismissal, instead of accepting his resignation as Mr. Hoffecker designed. That day, he left when he sent the letter. Mr. Burnham convened the

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executive committee, and, after reading the letter, he then proposed that he should be dismissed after his resignation.

By the Chairman:

Q. You were one of the directors at that time?—A. Yes, I was chairman of the executive committee.

By the Hon. Mr. Béique:

Q. Was there a minute made of the meeting?—A. I cannot say. We seldom have any one taking minutes of an executive meeting. What was done afterwards, I do not know, but I do not think any minutes were taken down, but that was the resolution put and carried.

By the Chairman:

Q. You put the motion yourself?—A. Yes, I was in the chair. At the same time I remarked before it was put that I was sorry, we were losing a very valuable man, and I thought it was a mistake his leaving the association.

Q. Did you ever hear of Mr. Hoffecker having made a demand for a large increase in his salary, as stated in this?—A. I never did.

Q. Or any increase?—A. Not at all; I never heard of it, and I would have heard of it, if he had.

Q. You do not believe he ever made such a demand?—A. He may possibly have made a demand of Mr. Burnham personally.

By the Chairman:

Q. Would you have been in a position to know if he had made a demand?—A. Unquestionably, as chairman of the committee, it should have come before me.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You say there was a resolution passed after receiving his resignation, dismissing Mr. Hoffecker?—A. Yes.

Q. Were inducements ever offered to Mr. Hoffecker to come back?—A. There were.

Q. After his having been dismissed?—A. After his having been dismissed.

Q. What do you know about that?—A. I know Mr. Hoffecker was sent for, I think, by the attorney, Mr. George Burnham, brother of the president, and an appointment made to meet him, which I think was done at some meeting, and an arrangement for Mr. Hoffecker to come to the office and have an interview with the president, which he did. At that meeting between the president and him—

Mr. AYLESWORTH.—Were you present?

WITNESS.—I was not present, but his letter explains that certain inducement—

Mr. AYLESWORTH objects.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Do you know the letter now shown you, filed as Exhibit No. 26, to be a copy of a letter sent by Mr. Hoffecker to President Burnham at that time?—A. I do.

Q. It is in his own handwriting, is it not?—A. Yes, it is in his own handwriting. The letter is as follows:—

(Exhibit No. 26.)

NEW YORK, August 3, 1898.

F. A. BURNHAM, Esq.,

President of Mutual Reserve Fund Life Association,
New York.

DEAR SIR,—Referring to our interview of yesterday at which time you offered me certain inducements to overlook the past and return to the association, I beg to say I must, after consideration, decline the same.

Yours truly,

(Sgd.) J. S. HOFFECKER.

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By the Chairman:

Q. Did Mr. Burnham, the president at that time, ever consult with you in regard to having Hoffecker return to the company?—A. Yes I was going on to explain that and I was stopped.

By M. Coster, Counsel for the Committee:

Q. You can explain conversations between you and the president about the matter?—A. I had different conversations with the president in regard to Mr. Hoffecker coming back and it was a great mistake, in the condition of the company, to allow him to go and, probably, owing to those conversations that he had with the president, and he also had conversations, as I am informed, with Mr. Vrooman, but I cannot positively swear to that. Anyway it resulted in Mr. Hoffecker being sent for, and also I had known of Mr. Burnham receiving that letter and know personally of the interview having taken place, because Hoffecker came to the office and I saw him go into the president's quarters at the time appointed to meet the president and I also know Mr. Burnham received that letter afterwards by his admission to me that he did.

By the Chairman:

Q. You were anxious to have Hoffecker return to the company?—A. Certainly.

Q. As a faithful servant?—A. Yes.

By Mr. Coster, Counsel for the Committee:

Q. You said before, I think, that you thought he was a very valuable man?—A. Certainly he was.

Q. Did you shut your eyes then to these irregularities then, and what did you do? Why did you get out, too?—A. I did not get out. I proposed to go out. I had an interview with Mr. Lawrence, the special counsel of the company, and related to him—

By the Hon. Mr. Béique:

Q. When?—A. Oh a long—let me see, when that first interview with Lawrence took place—oh yes, it was after Vrooman resigned, and after General James resigned. After their resignation I met Mr. Lawrence—

By the Hon. Mr. Watson:

Q. What date?—A. That was in 1898, the summer of 1898. I cannot tell you the exact date.

Q. How long after it?—A. It was very shortly after the resignation of Mr. Vrooman or General James. I do not remember the exact date, but it was in the summer of 1898.

Q. That what?—A. That I had an interview with Mr. Lawrence upon the difficulties, and said to him that I had made up my mind to resign, and he begged of me not to resign. He said, 'No, Mr. Wells, you and Mr. Burnham must hold on, or you must hold on and help Mr. Burnham bring matters about.'

By the Hon. Mr. Domville:

Q. Bring what matters about?—A. That is bring the condition of the company to a better standing than it was at the time—he pressed me to do that.

By Mr. Coster, Counsel for the Committee:

Q. And therefore you stayed on?—A. Not on that account.

Q. But in spite of these irregularities you did stay on?—A. Unquestionably I did stay on.

Q. What excuse have you for that?—A. I had several interviews with Mr. Burnham upon what was going on, and the reason I did stay on was because Mr. Burn-

ham agreed to resign at the next meeting. That was the actual reason why I remained.

Q. And you thought you would get rid of the other members of the management and get good men in their places?—A. Yes.

Q. You thought you were strong enough to do that?—A. Yes, with his co-operation; that is, his resigning.

Q. You say he had agreed to resign?—A. He did.

By the Hon. Mr. Béique:

Q. Was the suggestion made by you or him, that is the suggestion that he should resign?—A. I suggested it.

By Mr. Coster, Counsel for the Committee:

Q. Then you say you had a conversation with Mr. Burnham with reference to these irregularities referred to by Mr. Hoffecker?—A. Oh yes, several of them.

Q. Was it not part of your duty as a member, and chairman of the executive board to pass on the vouchers for the expenditure of moneys in connection with the expenditure of all moneys in connection with the business of the association?—A. As one of the executive committee it would be my duty. It would not be necessary that I should pass upon every one because there might be a dozen.

Q. Two would be enough?—A. It requires three members of the executive; I think there was a financial board or committee meeting that probably could pass in the absence of the executive committee.

Q. You were in the habit of signing vouchers, were you?—A. Yes, in the general run of business, vouchers would come to me.

Q. I only want to draw your attention to the matter of vouchers. Do you know of any directions being given that vouchers could not be presented to you?—A. I do. Suddenly, for a time, I received no vouchers for my sanction. They stopped. No vouchers were sent to me at all for several days although I was in the habit every day up to that time of signing and approving of certain vouchers.

By the Hon. Mr. Beique:

Q. When was that?—A. That was in July of 1898, after my return. As chairman of the executive committee I had to sign vouchers. They suddenly stopped and it looked very extraordinary to me, and Mr. Hoffecker, the auditor, came to me and he said, 'Mr. Wells, I have received orders not to send any vouchers to either you or Mr. Vrooman for your signatures.'

Q. That is the Hon. J. W. Vrooman, the treasurer?—A. Yes. 'Indeed,' I said. 'Who did you get those from?' He said, 'Mr. Underhill came down to my office and gave the orders as coming from the president that no more vouchers were to be sent either to you or Vrooman.'

By the Hon. Mr. Watson:

Q. Was that after you suggested to the president that he should resign?—A. No.

Q. That was in July, before you suggested it?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Did you write the president a letter at that time?—A. Yes.

Q. About this matter?—A. I did.

Q. Is that a copy of the letter?—A. This letter, I think, is a subsequent letter. This is the 15th July. I wrote that letter about this time. There is another letter referring these vouchers which is a later letter.

Q. I want to get one in at a time. This letter was received by Mr. Burnham, do you know?—A. I sent it by one of the call-boys in attendance there right into his room. This letter is to F. A. Burnham, signed J. B. Wells, vice-president, dated July 15th, 1898, and reads as follows:

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(Exhibit No. 27.)

NEW YORK, July 15, 1898.

F. A. BURNHAM, Esq.,
President Mutual Reserve Fund Life Association,
New York, N.Y.

DEAR SIR,—You have been president of the Mutual Reserve for about three years. When you took command, you found it strong, rich and prosperous. You found it firmly established in the confidence of the public. You found its business steadily increasing, and by gigantic strides. You found its record of administration pure, honest and irreproachable. You found its staff of executive officers and agents not only well instructed in their work and duties, but full of zeal and enthusiasm.

You found yourself at the head of one of the best equipped corporations in America, and you were furnished with powers, which, if wisely and prudently exercised, might have accomplished almost anything.

The contrast between the conditions of the association then and now is startling; but, under the circumstances, it is useless at present to go into details. The principal object of this letter is to put myself on record as to several important matters, and particularly as to the management of the agency department, since you placed it under the control of Mr. Moss. It goes without saying that the success of the insurance company depends on its agents. They are the heart and soul, the blood and life of the institution. It was my anxious duty, during the time I had charge of the agency department, to select the best men, and when I recall the names I feel proud of them. They were carefully chosen. Nearly all the chiefs were experienced business men; they were not only earnest and intelligent, but as a rule they occupied good social positions, and in a practical way, guaranteed the respectability of the association.

We were not, during my time, very much embarrassed with the difficult question of advances to agents. We discouraged the practice as much as possible, and not a single dollar was so advanced without submitting the application to the agency committee, or without carefully discussing the special circumstances of each case; and in each such case a voucher was required, signed by three officers, and the checks issued thereon were also signed by three officers of the association. In fact, when I handed over the agency department to my successor, Mr. Moss, it was in a healthy and satisfactory condition as to the personnel of the agents, the state of their accounts and the new business they were daily sending into the head office.

For the three years prior to Mr. Moss assuming charge of the agency department, the new business actually written was as follows:

1894....	\$66,408,886
1895....	69,738,790
1896....	73,086,330

While for the year 1897, during Mr. Moss' administration, the business, notwithstanding the fact that extraordinary facilities for securing business was granted him, amounted only to \$56,234,728, a large proportion of which, being a transfer from the fifteen-year plan to the five-year plan; and from the statement of lapses both on old and new business, presented recently to the board of directors, showing a decrease of revenue amounting to about \$100,000 annually on dues account alone, together with the fact that the new business of the present year is rapidly falling off, there can be but one opinion, that the management of the agency department under Mr. Moss has been most disastrous to the association. When I concurred in the contract which you made with Mr. Moss early in 1897, I had misgivings and apprehensions, but you were promised by Mr. Moss one hundred millions of new business for the first year, and you were so sanguine of his success, that I deemed it useless to oppose it, moreover, the contract contained the usual provisions for cancellation at any time, and I considered this a reasonable safeguard.

When I first saw the contract, it was in your hands and ready for signature. The provisions of this contract were substantially as follows:—Mr. Moss' salary was

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fixed at \$100 per week (\$5,200 per annum), he was allowed a commission of 85 per cent on the first year's premiums received on business extending over the whole of the United States, and for the purpose of making advances to agents, he was to be paid \$3,500 per week (\$182,000 per annum), which payments were to be charged to him on the books, and be deducted from the commissions earned by the agents and himself. The maximum commissions allowed to his agents being 65 per cent, this affording to Mr. Moss himself an overriding commission, or margin, of 20 per cent at least. It is obvious that the working out of this agreement from week to week required careful watching. Vouchers should have been furnished and explanations should have been made as to the character of the agents, and the circumstances under which each advance was made, considering that you were presumed and officially responsible for this contract; considering its wide scope and the large amount of money it involved, and considering your own extensive powers as president, I leave it to your own business sense whether it was not your duty to have demanded such vouchers and explanations, and to have exercised a constant and careful supervision over Mr. Moss and his methods.

You did the very opposite of this: you practically relieved Mr. Moss of the personal liability imposed upon him by the contract in respect of the weekly advances; you demanded no vouchers, you exercised not supervision; you instructed the officers in charge of his account to credit him with whatever he reported as having been paid to the agents out of the weekly advances; you sanctioned the retention by the agents of their own commissions, and, under your instructions, Mr. Moss was paid 20 per cent upon the total premiums of the United States business of 1897. One voucher, dated January 15, 1898, was signed by you, crediting Mr. Moss with \$93,810. Other similar vouchers were signed by you shortly afterwards, covering \$7,421, for commissions claimed by Mr. Moss to be due to him under that contract, and after it had been cancelled.

At the time these payments were made to Mr. Moss, he was, under the provisions of the contract referred to, personally chargeable with \$158,000 in respect to the weekly advances to him. It makes no difference that under your instructions this debt was shifted from his shoulders to the shoulders of the agents.

Early in 1898, the contract of 1897 was cancelled and a new one made, but not on quite so large a scale. The weekly payments to Mr. Moss were reduced to \$2,500 per week—equal to \$130,000 per annum—but he is permitted by it to make advances to the agents without himself incurring any liability to the association in respect to them. In addition to the payments made to Mr. Moss under both contracts, the association has paid, under his instructions, and upon agency account, several thousand dollars to other persons, officially known as inspectors, for salaries and disbursements.

Many of these worthy gentlemen, having most indiscreetly been furnished with lists of our members, are now in the employ of old-line companies. But even worse than the financial loss is the discontent and the demoralization of the force. Mr. Moss has had the misfortune to make himself universally disliked. There is no longer any cordiality between the agents and the association, and the fine *esprit de corps* which formerly characterized the force, and which Mr. Harper so keenly appreciated, no longer exists.

When Mr. Moss took charge of the Agency Department, he held the position of metropolitan agent. He was comparatively a new man, and we knew very little about him, except he was a man of extraordinary energy. He was in embarrassed circumstances at the time, and you remember that the association advanced him funds, not only for his maintenance, but for the purpose of compromising his debts in London. We afterwards learned that he had left London under a cloud, but almost simultaneously with the signing of the first contract, or very shortly afterwards, he began the usual extravagant display of a *nouveau riche*, and he kept up this display until now with a brilliancy which increases daily, and which is, unfortunately, commented upon by the public, and to the great injury to the association.

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A great many of the metropolitan policy-holders are solid and practical business men, for the most part in an inquisitive humour just now, and they have an awkward habit of putting two and two together. The recent increase in the assessments has, in my judgment, been the culmination of mistakes and extravagances.

The transfer of what is called the fifteen-year plan to the five-year plan was one of these mistakes. The direct effect of it was to deplete the mortuary fund to the extent of one year's assessment on the amount transferred, saying nothing of the disturbance to our policy-holders caused by the questionable methods of many of the canvassers to whom the transfer business was delegated, and which resulted in a large amount of lapses among the best lives of the fifteen-year class.

And when we consider the enormous sum paid to Mr. Moss for advances to the agents, the most of which is lost money, the legal expenses which have been incurred in consequence of the reapportionment, the conversion of more than 25,000 friends into bitter enemies, and the actual deficit which already appears in the last three calls, '95, '96 and '97, as compared with the preceding calls, we learn what readjustment really means.

I firmly believe that by a wise and economical management the Mutual Reserve can still be made one of the strongest insurance companies in America. A convulsion in the affairs of the New York Life a few years ago, which was also an agency matter to a large extent, and a rise against extravagance, saved that fine old company from ruin, and under the present distinguished president and manager it has become stronger than ever. Is this not an object lesson to the policy-holders of the Mutual Reserve?

I cannot close this letter without giving you my views, shortly, as to what ought to be done:

1. Cancel the Moss contract.
2. Appoint a finance committee with power to supervise and control all expenditures of money.
3. Employ an independent accountant of high standing to investigate and report the accounts between Mr. Moss and the association.
4. Appoint a committee to inquire and report as to the best method of reducing the expenses.
5. Carefully consider the possibilities, legal and otherwise, of decreasing the assessment rates of the fifteen-year members.

In making the last suggestion, I have regard to the opinion of the State Superintendent in his recent report: 'The reserve accumulations belong *principally* to the five and ten-year classes.'

I said farewell to Mr. Harper a few days before he died, and when he was upon his death-bed. His mind was full of the old subject and, I thought, full of apprehensions, and, clasping my hand, he said: 'Promise me, my old friend, that you will stick to the ship.'

I have done so, and shall continue to do so, no matter what it costs. I can never forget the precepts and the principles and memory of E. B. Harper. I know what he would do to-day, if he were here, and so do you. Old friends are better than new. *Cave canem.*

Yours very truly,

J. D. WELLS,

2nd Vice-President.

By the Chairman:

Q. Was that before you resigned?—A. Oh yes, early in July.

Q. How long did you remain in the company after sending that letter?—A. Until January 25.

Q. That was six months?—A. Yes.

By Mr. Coster, Counsel for the Committee:

Q. So there was a meeting of the executive held soon after you sent this letter to Mr Burnham?—A. There was, either the same day or at that time. I remember Mr. Burnham calling the executive together.

Q. What was done after that meeting?—A. I think it was Mr. Eldridge got up and spoke of my long connection with the company, my services to the company and what a faithful servant I had been, I had been a faithful officer, and he said he had a motion to make which was to the effect that \$50 a week should be added to my salary.

By the Hon. Mr. Domville:

Q. That was after your remonstrance?—A. Certainly.

By the Hon. Mr. McSweeney:

Q. What salary were you getting at that time?—A. I was getting \$200 a week and Mr. Eldridge got up after this speech eulogizing myself—I look upon it now as taffy and did then—

By the Chairman:

Q. What was his proposition?—A. His proposition simply was that fifty dollars a week should be added to my salary.

By Mr. Coster, Counsel for the Committee:

Q. Did you refuse that offer?—A. Yes.

Q. Was the refusal in writing?—A. Yes.

Q. Is that a copy of it?—A. Yes. The president also got up at the same time, and seconded the motion.

Q. Exhibit 28 reads as follows:—

(Exhibit No. 28.)

NEW YORK, July 18, 1898.

F. A. BURNHAM, Esq., President.

MY DEAR MR. BURNHAM,—While appreciating the action of the executive committee in increasing my remuneration by fifty dollars per week, I cannot, in view of the present financial condition of the association consistently accept of this increase. The duty of the management is now plain. Every expenditure should be carefully considered and when practicable cut down with a view of creating as large a surplus as possible from dues income, and adding the same to our mortuary funds for the payment of death losses. You will therefore, if instructions have been given the paymaster to add fifty dollars per week to my salary, have the same countermanded as I cannot, under any circumstances, receive it. As I desire in my official capacity as chairman of the executive committee, to inspect and verify each week the pay rolls, kindly instruct Mr. Butts, or whoever is in charge of them, to submit them to me, as he informs me his instructions are not to allow anyone to see them without your orders.

Yours respectfully,

(Sgd.) J. D. WELLS,

Chairman Executive Committee.

By the Hon. Mr. McSweeney:

Q. Were you getting commissions at that time, outside of the salary?—A. No, none whatever.

Q. Straight salary?—A. Yes.

By Mr. Coster, Counsel for the Committee:

Q. You had been getting \$15,000 a year?—A. Yes, before the salaries were all reduced.

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Q. You reduced it down to \$10,000 a year?—A. Yes.

Q. When was it reduced?—A. Oh, sometime early in the summer. I forget the exact date.

Q. After you wrote this letter?—A. Oh no, before.

By the Chairman:

Q. There was a general reduction in salaries?—A. Yes.

By Mr. Coster, Counsel for the Committee:

Q. One-third all round?—A. That is in regard to certain officers, the executive officers, one-third of their salaries was cut off. That is what Vrooman refers to in his letter, that he quite agreed with.

By the Hon. Mr. Béique:

Q. Who suggested that reduction?—A. I first suggested the reduction to Mr. Burnham after the report he brought down to the House, that we were \$100,000 behind in our dues account, and this was one of the things that I suggested to him that he should do, make a reduction all round, in the salaries of the officers of the association.

Q. You say there was a meeting of the executive committee, when this fifty dollars was suggested to be added to your salary?—A. Yes.

Q. Was your letter, which has just been read, before the committee?—A. It had been sent in to Mr. Burnham. It did not come before the executive committee. It went to him.

Q. You do not know whether the members of the executive committee knew of it?—A. He must have known.

Q. But the other members?—A. No, I do not think they did.

Q. It had just been sent in?—A. Yes, a day or two before this..

By Mr. Coster, Counsel for the Committee:

Q. After you wrote this letter to Mr. Burnham, was this increase offered to you again, or what happened?—A. It was. The paymaster, in going his rounds, paying, instead of bringing me the regular two hundred, brought me two hundred and fifty.

Q. What did he say?—A. He remarked: 'I brought you a surprise, Mr. Wells, I brought you a pleasant surprise.' I said, 'What is it?' He said, 'An addition to your salary.' I said, 'Mr. Butts, I cannot accept that,' and I took out fifty dollars, and handed it back to him, and I said to him, 'Take it back to the president.' He said it was on his pay-roll, he could not well do that. I said, 'You can do what you like with it. I will not accept it.' And he finally left me, taking back the extra fifty dollars.

Q. Was the question of reducing expenses discussed by the board of directors?—A. It was.

Q. What led up to the discussion before the board, do you remember?—A. Mr. Burnham brought down a statement, showing that we were—

Q. Recommendations, do you mean?—A. All the recommendations were brought in by Mr. Eldridge—is that what you refer to?

Q. Go right on shortly?—A. Mr. Burnham explained to the board that there was a falling off in the dues, the receipts of the year, and it was something they wanted the board to take into consideration, what was best to be done. He proposed that the matter should be left to Mr. Eldridge to bring down a statement as to what reductions in expenses could be made, and what savings could be suggested by him for their consideration. Those suggestions Mr. Eldridge subsequently did make—brought down recommendations.

Q. Recommendations were brought down by Mr. Eldridge?—A. Yes.

Q. Is that a copy of the recommendations brought down by him?—A. This is the copy.

By the Hon. Mr. Béique:

Q. Is there any date on it?—A. I do not think there is any date on it. It was handed to the directors.

MR. ELDRIDGE.—I brought down the recommendations on August 19, 1898.

WITNESS.—That is the time Mr. Eldridge brought in his recommendations.

By Mr. Coster, Counsel for the Committee:

Q. And this was handed to you at the meeting?—A. Copy of that was handed to each one of the directors.

By the Hon. Mr. Béique:

Q. You say you returned fifty dollars that was brought to you?—A. Yes, I handed it back to the paymaster.

Q. And the next week?—A. The next week my regular two hundred dollars was paid.

By the Hon. Mr. Gibson:

Q. They never offered it you again?—A. No, once was enough.

MR. COSTER.—The recommendations dated August 19, 1898, reads as follows:—

(*Exhibit No. 29.*)

August 19, 1898.

RECOMMENDATIONS.

It is manifest that to the end of maintaining equilibrium between income and expenditure, there should be a reduction approaching \$500,000 annually from the scale of expenses and advances of the first six months of the current year. As the united expenses and advances of that period were practically \$1,000,000, this means that the expenses and advances should be adjusted to a scale of not over \$1,500,000 for the year. Allowing for possible reduction in new business resulting from such a course, there should, if possible, be even a reduction of 10 per cent on this sum, bringing the total sum to, say, \$1,350,000. As the reduction in salaries already made did not affect the first six months of the year, such reduction would apply in part to that proposed. An expenditure of \$1,500,000 means \$28,850 per week. One of \$1,350,000 means \$26,000.

The expenditures of the past six months by weeks have been as follows:—

Expenditures by Week.

1. Agents' commissions	\$12,220
2. Advances	4,900
3. Collectors' commissions	1,170
4. Salaries, dues	4,410
5. Salaries, mortuary	3,470
6. Examination fees	800
7. Rent (other than ground rent)	1,820
8. Taxes	1,170
9. Printing and advertising	1,910
10. Legal	500
11. Travelling	430
12. Postage	800
13. Agency	500
14. General	2,020
15. Investigation, &c.	2,100
16. Miscellaneous	280

\$38,500

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The accomplishment of the end desired is not compatible with the push for new business that has characterized the management of the institution in the past. I am satisfied, therefore, that our course of action in the future must be in the conservation of the business now on our books, the preservation and enhancement of our income, and the writing of such new business as is written upon a readjusted scale of premiums that will build up a business which can respond to the demands of valuation and reservation, such as is now to be placed upon us, probably within a twelvemonth.

Taking up the items in the order above:—

1. Agents' commissions will respond to the business written, and a reduction in amount which is not due to reduction in percentage will be followed by reduction in income from new business and saving, cannot, therefore, be calculated on here.

2. I would recommend that advances be strictly limited to a sum not exceeding \$1,000 per week, and that such advances be charged to expense at their net amount for the year in the report of condition at end of year.

3. I would recommend that all collectors be placed on a 2½ per cent basis, reducing them from 5 per cent where that prevails.

4-5. There has already been a reduction in this item of about \$1,800 per week. I would recommend the canvassing of every employee of the association and the rigid retirement of every one not needed. Where large salaries are paid to men performing services that can be performed by men who earn smaller salaries, it should be done. There should be possible a further reduction of say \$500 per week in these items.

6. Will respond to amount of business. {Marked in blue pencil on this exhibit are the following words: Remit with each application, medical fee.

7. Every officer outside the home office should be taken up and reductions made. At the home office there should be consolidation and reduction of room occupied. While this is an expenditure that will respond less promptly than others, it should be possible to reduce say \$800 per week.

8. Taxes are beyond control of management.

9. (In blue pencil:) Printing and advertising, while held within much closer amounts than in former years, should be carefully taken in hand, with a view of saving say \$500 weekly.

14. (In blue pencil: Finance and Audit.) The general expenses are much larger than in the preceding period and the increase has been in part due to reapportionment. Their character should be investigated and they should be capable of reduction to an amount of at least \$500.

15. (In blue pencil: Death Claims.) The record of business written in the last year from the standpoint of death loss is such as to cast grave doubt of the efficiency of our supervision of applications, so far as it may have effect in protecting us against losses. The expenditures of this department should be put under closer supervision and should be reduced to the point where they yield a return for the money expended. I do not think it unjustifiable to consider it possible to make a reduction of \$500 here.

In a general way a change of policy in the matter of pushing for new business would work reductions in expenditures which are not apparent on the face. The reversal of policy in this matter may be mortifying, but the expenditure which has been made in the past year at least has not yielded justifiable returns, and I am certain the management could not justify itself if it continued it. In any event, it has not the money. I would be willing to assent to a complete discontinuance of advances and to take the consequences.

It seems to me further that these things should be done:—

I. Convert assets into cash and reduce the death claims to an amount not exceeding two calls.

2. (Marked in blue pencil: Actuary.) Put out at once readjusted table of rates for the five-year plan (annual, semi-annual and quarterly) and new plans on higher rates,

with provision fixing the reserve thereon by contract, to the end of doing such business as is done on a basis of broader revenue.

3. (Marked in blue pencil: Refer to Mulligan.) If it can legally be done, extend the credit from bond statements to cover five years, instead of giving incomplete relief from assessment payments until face of statement is exhausted. We may possibly justify ourselves in meeting these statements from surplus of current assessments, but I doubt if we can justify the use of moneys needed to meet death claims in paying off these statements. An application of say \$20,000 to meeting bond statements during the first six months of this year would have given us some \$63,000 or \$70,000 more for death claims.

The CHAIRMAN.—That is not signed?

Mr. ELDRIDGE.—It was signed by me.

By Mr. Coster, Counsel for the Committee:

Q. Were these recommendations made in Mr. Eldridge's report adopted by the board of directors and carried out?—A. They were referred to different committees.

Q. And they were carried out?—A. No, I won't say they were carried out.

Q. Well, they were adopted anyway?—A. They were adopted. I do not think they were carried out.

Q. Was there any material reduction in the expenses of management after that?—A. In some items there was—not out of that, I do not think they were, but take the yearly report, it shows a reduction in some items. Take officers' salaries, I think the annual report shows a reduction in that. In commissions to agents, there was a large reduction. That showed the largest reduction, because the amount of business was very much reduced. Therefore the principal reduction in expenses came from that source.

Q. And were the salaries of the president and vice-president and Mr. Eldridge reduced?—A. I am inclined very much to doubt that their salaries were reduced. I cannot say that they were. They should have been, because we got together, Mr. Burnham and I—not at that time, but previous to that time—and reduced the salaries. There were no further reductions in salaries after Mr. Eldridge presented this.

Q. Were there any salaries paid that you know of, other than were on the pay-rolls—any amounts paid to the officers, other than appeared on the pay-roll?—A. There was an amount paid to one of the directors whose name appeared on the pay-roll which had no business to be there. One of the directors' names appeared upon the pay-roll.

Q. Who was that? State it as shortly as you can.—A. That was Mr. Horace Brockway, to the extent of \$300 a week. His name appeared on the roll.

Q. What was that for?—A. It was claimed by Mr. Burnham, when his attention was brought to it, that that \$300 a week was paid to Mr. Brockway, one of the directors, for his services to the association.

Q. What was Brockway's business?—A. He was proprietor of the Ashland House, New York city.

Q. What was the \$300 paid for?—A. It was for money borrowed by Mr. Burnham, which he admitted he did get from him.

Q. How much money was paid to him?—A. He said he borrowed from Mr. Brockway about \$6,000, and his name was put upon the pay-roll, without consultation with the executive committee or anybody else that I know of, and Mr. Brockway was recouped for his money in that way.

By the Hon. Mr. McSweeney:

Q. How long did he remain on the pay-roll, getting that \$300, a week?—A. I suppose until the money was returned, I never saw the pay-rolls.

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Q. That you remember ?—A. Yes.

Q. What were they ?—A. George Edwin Joseph.

Q. What amount ?—A. \$4,600.

Q. Who else ?—A. And payments to a man of the name of Peter Zouker, a lawyer.

Q. What would they amount to ?—A. The amount paid to Peter Zouker, one charge on the books of \$1,500, and there is another charge of \$5,000 for legal expenses.

Q. In addition ?—A. Yes.

Q. Who were these men? Agents appointed by Mr. Moss?—A. The \$1,500 was a payment made by Mr. Moss direct to Peter Zouker, and reported in one of his statements to the company, and the other to Joseph, composed of different amounts paid to Mr. Joseph also.

Q. Who were they ?—A. They were lawyers in New York.

Q. And did they send any business into the company at all?—A. Never.

Q. And these amounts were charged as advances made to agents ?—A. They were credited to Mr. Moss as advances made to agents.

Q. Were there any others ?—A. There were no others that I remember just now.

By the Hon. Mr. Watson :

Q. The \$5,000 was legal expenses ?—A. The \$5,000 was charged to legal expenses and was paid Zouker.

By Mr. Coster, Counsel for the Committee :

Q. That is not advances to agents?—A. No.

Q. With reference to that £1,500 draft, which was paid for Moton D. Moss' account, did you ever ask any explanation from the president of what that was made for ?—A. I did.

Q. What did he tell you ?—A. He told me it was for services by Mr. Moss outside the Metropolitan Department. I asked him what the services were, and, after thinking a few moments, he replied that Mr. Moss had introduced him to a very prominent insurance man in England by the name of Craig that he expected to get for the company, and that is the only explanation he could give me of that money.

By the Hon. Mr. Domville :

Q. How much was that ? Dollars or pounds ?—A. £1,500, a draft drawn on the company by Mr. Moss or Mr. Burnham while in England.

By Mr. Coster, K.C., Counsel for the Committee :

Q. In that contract, No. 3, made with Mr. Moss, you spoke about deferred premiums. Explain what was meant by that ?—A. A deferred premium was either a quarterly or a semi-annual premium on a policy. The premium is \$100 or \$150, and if it is semi-annually he pays \$75, and the balance of the six-months' premium would be called a deferred premium, and quarterly premiums would be deferred premiums of parties who had not paid, but would pay quarterly.

Q. Under that contract there is a special provision with reference to deferred premiums. Explain as shortly as you can what you have to say about it ?—A. Special provision in regard to commissions on all business done under the 1897 contract, which were cancelled—he had no claim for them whatever.

Q. What happened ?—A. They were commissions, certain premiums that were falling due as deferred premiums in 1898, under the business secured in 1897—commissions upon those premiums.

Q. You say he was not entitled to them?—A. He was not entitled to them.

Q. How much would they amount to?—A. I think about \$7,000 altogether.

Q. What do you know about transferring of business, from the fifteen and ten-year plans to the five-year plan?—A. I know a good deal about it.

Q. As shortly as you can?—A. The first arrangement decided upon by the executive committee was to pay one-half of the increase of premiums; that is to say, if the

premium upon the old policy, the fifteen-year policy, was a hundred dollars, and under the five-year plan it was a hundred and fifty, one-half of fifty, or half of the increase, would be paid to the agent securing the business.

Q. What did Mr. Moss get?—A. Mr. Moss got the whole of his commission. That was changed afterwards, I believe, but there are no minutes, or no executive meeting while I was there that changed it.

Q. Then the change was counted as new business?—A. Yes, all the transferred business made under Mr. Moss's contract.

Q. In what way did this affect the mortuary fund? You heard Mr. Stevenson's evidence, did you?—A. Yes. Upon the entire first year's premium upon the new policy, it all went into what is called the expense fund. There was nothing contributed to the mortuary fund. That was a loss, of course, to the fifteen year mortuary fund, as well as the transfer to the agent of the last call upon the old premium paid by the old members, so that, actually, upon that business there would be fourteen months.

Q. Now, Mr. Eldridge in his evidence, states that that was a mistake that Mr. Stevenson made. Now I want to know what you have to say about it?—A. I have seen accounts, those that came into my possession, one or two, where these mortuary premiums were credited to the agents.

Q. Look at these and see if these are what you are referring to?—A. Yes, this is a list of them.

Q. This is a statement showing the payment of the last mortuary call to the agent?—A. Upon this account; it is made up in January, 1898.

Q. Whose account is it?—A. The account of Moton D. Moss.

Q. With whom?—A. With the Mutual Reserve Fund Life Association.

Q. Give the entry that you allude to?—A. The entry that I allude to is 'Credit by cash, fall 1894, \$66.11.' Then another on the 13th, \$19.40, and on the 31st 'Commissions account herewith, \$433.47 on policies which were issued in the previous years'—

Q. Never mind those details?—A. And on the bottom, is the rough memorandum I have referred to in Mr. Vrooman's letter. (Document marked for identification.)

Q. You say those were the last mortuary calls which were referred to there?—A. That is a little supposition.

By the Hon. Mr. Beique:

Q. You are speaking from memory. Do you swear they are mortuary calls?—A. To the best of my belief. It is put down there by call so-and-so, giving the number. Whether it is a fictitious account I cannot say, but the account speaks for itself.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Who is Mr. Underhill?—A. He was Mr. Burnham's confidential secretary, F. U. Underhill. Here is a letter of his in pencil to Mr. Burnham, Mr. F. A. Burnham, president, in which he speaks of a deduction that should be made, and Mr. Burnham writes in his own handwriting on the bottom 'Make the deduction, April 30, 1897, F. A. B.' That deduction is in regard to the renewals. It is simply that they should deduct from the renewal commissions, which would go to the agent securing the transfer, that they should deduct any commissions due any of the old agents who had secured the business, and who had issued a contract on the old business, and therefore anything that was due the old agent should be made from the new agent's commission.

By the Hon. Mr. Watson:

Q. That was done?—A. I presume so, and this letter says the agent making the transfer should have the last mortuary call.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Here is a copy of a letter from Mr. Stevenson, under date the 29th October, 1897, signed Moton D. Moss, general manager, and reads as follows:—

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(Exhibit No. 30.)

NEW YORK, October 29, 1897.

Mr. J. M. STEVENSON, Asst. Secretary,
Mutual Reserve Fund Life Association,
New York City.

DEAR SIR,—Kindly credit Spiess & O'Connor's account with the last call on the following policies, and let us know if it is correct:—

New No. 32900, No. 61652, L. Littman..	\$2 37
“ 33027, No. 60323, J. Goetz..	2 25
“ 330411, No. 30356, W. M. Stillwell..	1 99
“ 330593, No. 1188, A. C. Morehouse..	130 00

and draw voucher to debit their account with \$200.05.

We have received from them a note to cover this last amount when paid, it is to be placed to their personal credit. The report attached shows the amount due to the association to be \$628.91.

We have received checks for	\$292 25
Credit on old policies..	136 61
Balance due..	200 05
Total	<hr/> \$628 91

Yours very truly,
(Signed) MOTON D. MOSS,
General Manager.

(The original of this letter was shown President Burnham at his request. See his O.K. on order for voucher transferring \$336.66 to Chase National Bank, 11, 4, 97, Book 113, page 586.)

A. It is a renewal of the commissions on the old policies which accrued to the agents securing those policies. They had a commission accruing to them on those policies which continued during their lifetime. He says, 'Any renewal commissions due to the old agent accomplishing this transfer should be deducted from the renewal commission upon the transfer of the policy.'

By the Chairman :

Q. So the last part was all right and the first part all wrong ?—A. Yes, perfectly right, but it is the first part which shows the understanding of president and Underhill, that in making the transfer from one plan to the other it has to be credited with the mortuary call.

By Mr. Coster, Counsel for the Committee :

Q. What is this ?—A. This is an order upon Stevenson to credit the last mortuary call on those policies.

Q. I think you said you remonstrated with Mr. Burnham about retaining Mr. Moss in the service of the association, and was he dismissed ?—A. He was not dismissed, but he resigned.

Q. When he resigned, was there any money to his credit as general manager—anything in the bank, I mean ?—A. Yes.

Q. How much ?—A. In the Chase National Bank, to Moton D. Moss's account, as general manager, there was a sum of over \$6,000—\$6,150 in the credit of his account in that bank.

Q. Did the question of this come up before the meeting of the executive committee ?—A. It did before the meeting of the executive committee, and of which Mr. Eldridge was president.

Q. Were you there ?—A. I was there.

By the Hon. Mr. Béique :

Q. When ?—A. That was in July, just a short time before Mr. Moss—

Q. What year ?—A. July, 1898.

Q. Do you know if the company lost by the account ?—A. Yes, they did, a very large amount.

Q. About how much ?—A. I cannot say exactly.

Q. About ?—A. I should say on that account of Mr. Moss's—of course you have to take what came in—I cannot tell what policies are in force now to-day.

Q. But I asked you whether you were in a position to swear that the company made a loss with that account ?—A. Unquestionably under the contracts, there was a large loss with Mr. Moss' account.

By the Hon. Mr. Béique :

Q. You say there was a large balance against him ?—A. Oh, yes, there was a large balance against him under the contracts.

Q. When he was dismissed ?—A. Well, when he severed his connection with the company.

Q. About how much ?—A. I stated to-day that his accounts showed a balance of between two and three hundred thousand dollars. Half of his business next year, as shown by the Superintendent of Insurance, thirty million dollars of business were taken over—

By Mr. Coster, K.C., Counsel for the Committee :

Q. Never mind that. With reference to this amount that was deposited to his credit as general manager of the company in the Chase National Bank ?—A. Yes.

Q. What became of it ?—A. Six thousand dollars of it was checked out a day or two, or a few days before this meeting of the executive. I first called Mr. Burnham's attention to this amount in the bank, and I said that that amount should be transferred back to the company. Mr. Moss had left, and it belonged to the company's funds. It was deposited there to his account as general manager.

Q. How do you know it was there ?—A. I had his bank book, which I handed to the Deputy Superintendent of Insurance.

Q. Go on ?—A. Mr. Burnham, at this meeting, stated that there was only \$150 odd remaining in the account, and he thought it was not worth while paying any attention to, and we had better let it go to Mr. Moss, and, subsequently, when I had met Mr. Moss sometime afterwards, I asked him about this—that is, about the time I got his bank book, and he explained it and said that Mr. Burnham—

Mr. AYLESWORTH objects that Mr. Moss's statement is not evidence. That is, after he had left the company.

By the Chairman :

Q. Is there anybody else who could tell what became of the six thousand dollars except Mr. Moss ?—A. Yes, it certainly disappeared from the funds in the bank.

By the Hon. Mr. McSweeney :

Q. It was in Mr. Moss' own name ?—A. Yes, as general manager.

Q. And you asked him, as vice-president of the company, what became of the money ?—A. No, not as vice-president of the company, but I asked him what became of the money, and he explained that Mr. Burnham—

Mr. AYLESWORTH.—This is the conversation after these gentlemen had left the company.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Had you left the company ?—A. Yes. It was the time the Superintendent was making the investigation of the affairs of the company.

APPENDIX No. 1

By the Chairman :

Q. What time was this ?—A. That was in August, a short time after the company started in on the examination—

Q. That would be in 1899 ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. At any rate, the bank book showed the six thousand dollars had been drawn out by him ?—A. Certainly.

Q. And the company did not get that ?—A. The company did not get that, as far as I know. I cannot say.

Q. When did President Harper die ?—A. I think he died early in July, 1895.

Q. How long after his death was Mr. Burnham elected president ?—A. Within an hour or two.

By the Chairman :

Q. An hour or two of what ?—A. Within an hour or two of Mr. Harper's death.

By the Hon. Mr. McMullen :

Q. Was there a meeting called before Mr. Harper died ?—A. A meeting was called immediately upon his death. Immediately upon his death, Mr. Burnham called the directors of the company who were there, and he was elected president by the directors.

Q. Were you present ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. How did you know the time after Mr. Harper's death ?—A. I knew it by a telephone message that came to Mr. Burnham while I was there. We were waiting there, and Mr. Burnham came down from Harper's residence, where he lived at the time, and we were just waiting the news of his death, and the news came while I was in the room with him, of his death, and immediately the directors were summoned, and he was elected president.

Q. The directors had the power to elect the president, under the constitution and by-laws ?—A. Yes.

Q. That would be to serve until the next annual meeting of the company ?—A. Yes, precisely.

Q. You heard something about proxies. Who had control of those proxies ?—A. President Burnham.

Q. After he was elected ?—A. Certainly.

Q. How did he get those proxies ?—A. Notices with the proxy were sent out to all the policy -holders, to fill out and sign for them, and return to the secretary of the company.

Q. The president was elected every annual meeting ?—A. Every annual meeting.

Q. Who elected the president at the annual meeting ?—A. At the annual meeting the directors meet and elect a president and all the officers.

Q. But the directors are elected at the annual meeting ?—A. Yes.

Q. So, therefore, having control of the proxies, he was able to elect what directors he chose; is that it ?—A. Yes.

Q. You said, I think, this morning that you spent some time in England, was it ?—A. Yes.

Q. On the business of the association ?—A. Yes.

Q. When did you leave, and about how long were you absent ?—A. I left in 1897, in either June or July, I do not just now remember, and returned the last of April, or about the first of May—about the last of April, I think I got in probably the last of April, or it might have been the first day or two in May of 1898.

Q. On your return, did you have a conversation with Mr. Burnham in regard to an examination of the affairs of the company that had been recently made by the Insurance Department in the State of New York ?—A. I did.

Q. Can you recall the substance of the conversation?—A. I was in his office, and when the subject of the examination was completed a short time before—it was in 1898—and Mr. Burnham said to me—explained the delay in getting the report of the examiners of the Superintendent of Insurance. He said that Payn, the Superintendent of Insurance, before he would issue his report, demanded a hundred thousand dollars, and that if that one hundred thousand was paid, that we could write our own report. I expressed my astonishment at the demand. I said, ‘This is blackmail, and if I were you, Mr. President,’—the words I used contained a little profanity—I told him I would tell the superintendent to go to a warm place.

By the Hon. Mr. Béique :

Q. When was that?—A. A short time after my return from England.

Q. What month and what year?—A. It was about May, 1898.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What else happened?—A. After some conversation about it, I left the room, and in a few days again I was in his office, and he referred to the report. He said, ‘Mr. Wells, I have got the manuscript copy of the report which I have here, but I had to pay before getting it, forty thousand dollars,’ and he handed it to me to read. After reading it, I said to him, ‘Well, Mr. Burnham, I certainly would not give forty cents for it, let alone forty thousand dollars, and I do not think a report of Mr. Payn’s is worth much anyway,’ and we had some further talk. ‘Well,’ he said, ‘I had to do it, and I borrowed certain amounts, a certain amount from Mr. Wooster.’

Q. How much did you say he borrowed from Wooster?—A. I do not remember the amount, but he mentioned having to borrow from Wooster, and Brockway and Moss.

Q. He did not state the amount?—A. He borrowed as much as he could, and he had to make up the balance, which amounted to about fifteen thousand dollars, which he had to take out of his own private funds to make up the forty thousand dollars, but he took out his bank book and said with a very pitiful face, ‘Mr. Wells, it took every dollar that I have got of my available funds to make up this fifteen thousand dollars, and it has left me exceedingly short of funds.’ We talked about that for a moment and I cannot remember exactly every word, but we had some conversation about it.

Q. State shortly what occurred?—A. And before I left I said to him, ‘Mr. Burnham, I received from the company a day or two ago, all my expenses while abroad, myself and Mrs. Wells, which you know about, and which was paid to me. Now, I do not require to use those funds for some time yet, and if you are hard up as you say you are, you can have that amount.’

By the Chairman :

Q. What was the amount?—A. \$5,570, which the company had paid me a few days before.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You lent him that money?—A. Yes.

Q. How did you pay it?—A. In bills.

Q. Did you give him a cheque?—A. No.

Q. Why did you not give him a cheque?—A. Because he asked me to pay it to him in bills.

Q. Did you get that money back?—A. After suing him, and a year or two of litigation—I sued him for that amount and he paid the whole amount with costs.

Q. How long afterwards?—A. I do not remember the exact date.

Q. A year or a month?—A. It was about a year afterwards, or a year and a half. If I had my bank book here I could show it to you.

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Q. In what court did you take action to recover?—A. In the Supreme Court, I suppose it is called, in New York city. It is in the record here. I sued him, and he put in a defence, and it was delayed along from time to time.

Q. He paid it back with costs?—A. Precisely.

By the Hon. Mr. Beique:

Q. What defence did he make?—A. The defence he put in first was, that he never received a dollar from me—that was the defence.

By the Hon. Mr. Watson:

Q. What was the next defence?—A. I suppose there was only the one defence.

Q. You said 'the first defence.'—A. I said that was his defence.

By the Hon. Mr. Béique:

Q. Had you any writing?—A. No.

Q. It was your oath against his?—A. Yes.

By Mr. Coster, K C., Counsel for the Committee:

Q. The case was never tried?—A. No. He did not allow it to go to trial. He paid it, but there were pleadings in it. I had to make an affidavit, and he made an affidavit. He made an affidavit on certain pleadings.

Q. We will not go into that unless the Committee wishes. How many officers of the company resigned from the company about this time, and what were their names?—A. In 1898 there was General Thomas L. James, first vice-president, he resigned; and Mr. Vrooman, and Mr. Stevenson, and Hoffecker.

Q. Vrooman, the treasurer, Stevenson, assistant secretary, and Hoffecker, the auditor,—they were the ones?—A. Yes.

By the Hon. Mr. McMullen:

Q. What were the salaries of those men?—A. General James got a small salary of three or four thousand, not a large salary, because he was there very little of his time; he just attended board meetings.

By the Hon. Mr. McSweeney:

Q. He got paid for that?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Three or four thousand dollars a year?—A. Yes, that is all. Mr. Vrooman's salary, if I remember right, was, I think, when he retired, \$150 a week, to the best of my recollection. I cannot be positive about that.

Q. You were chairman of the executive, and ought to know?—A. I cannot at this date, I knew at that time what it was, but I cannot say positively now.

Q. What did Hoffecker, the auditor, get?—A. I think his salary was either \$35 or \$50 a week, not a large salary. I think so, if not larger, as near as I remember.

By the Chairman:

Q. What did the president get?—A. The president, when he was elected president, got \$500 a week.

Q. That was his salary?—A. Yes.

Q. Did he get any other funds?—A. Well, there was that contingent fund at his disposal, which was afterwards converted into his salary in addition to his former salary of \$10,000 a year.

By the Hon. Mr. Wilson:

Q. Would he be paid for attendance at the board meetings also?—A. Oh, no, none of the regular employees received anything for a board meeting—no salaries paid to the regular officers.

Q. Were the board allowed anything at their meetings?—A. Only the outside directors.

Q. How much were they allowed?—A. Twenty dollars, I think it was.

Q. On page 12, section 7, of the statement made by the company to the Senate, I find the following: 'In the matter of the letter from Hon. B. Tracy, attention is simply called to the fact that this is an attorney's letter, giving an opinion based upon certain statements made to him by his client, which in any event would stand or fall, upon the truth of those statements. In this letter, however, is to be noted the extreme caution exercised by General Tracy, as indicated in the first paragraph, where he uses the expression, 'Upon the facts submitted by you to me,' and in the third paragraph where he says, 'If it shall appear that this money has been drawn by the president and appropriated to his own private use;' in the fourth paragraph where he says 'If it shall appear as you state, that Moss rendered no services, and that no vouchers were ever presented for such services;' and in the last paragraph where he says, 'Upon the fact stated by you.' There is no doubt that upon the purported facts stated by this client to his attorney, any attorney would have given the same opinion as was given by General Tracy. The weakness of this, however, is that the facts as stated to the attorney were untrue, and the best proof that General Tracy so discovered is the fact that he withdrew from the case, and refused longer to serve the parties.' Have you the statement of the case to Tracy and the letter. I want to show the statement made to Tracy. Those facts are correct?—A. Yes.

Q. This is the statement which is alluded to by the company? Who was General Tracy?—A. He was a very prominent lawyer in New York, formerly Secretary of the Navy, at Washington, in the cabinet.

Q. He was also counsel for the government in that Venezuela matter?—A. Yes.

Q. One is a letter written to him and the other is a statement by him? I will put in the whole proceedings—

Mr. AYLESWORTH.—It is a statement made by Hoffecker, and nobody else.

Hon. Mr. BÉRIQUE.—I do not think this should go in.

By Mr. Ooster, K.C., Counsel for the Committee :

Q. Look at this document—what is that?—A. It is a petition drawn up in General Tracy's office.

Q. What for?—A. To present to the Attorney General.

Q. What was it for?—A. A petition to the Attorney General, prepared by General Tracy, for the removal of President Burnham and Vice-President Eldridge.

Q. One is a statement of case to General Tracy, and the opinion of General Tracy, and the petition to the Attorney General, prepared by General Tracy, for removal of President Burnham and Vice-President Eldridge?—A. Yes.

By the Chairman :

Q. Whom was the petition from? Who were the petitioners?—A. No names. Two of the petitions were drawn up and proceedings were stopped, as I said before, under the promise of President Burnham to resign at the next annual meeting, and all proceedings ceased, so that the petition was not presented, and did not go beyond the line of being drawn up.

By the Hon. Mr. Watson :

Q. Who was General Tracy acting for when he presented the petition?—A. He was acting for Hoffecker, who specially retained him on behalf of certain policy-holders.

By the Chairman :

Q. About the fifteen thousand dollars being paid by the company to have this thing dropped—is that a fact?—A. Yes.

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By Mr. Coster, Counsel for the Committee :

Q. The company paid \$15,000 to whom?—A. To Mr. Hoffecker's representative, Mr. McDonald, of Philadelphia.

By the Hon. Mr. Béique :

Q. To your knowledge?—A. To my knowledge. I have from the Superintendent of Insurance figures which they supplied me with, and dates of payment of this \$15,000.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Which would appear in the books of the company?—A. Which would appear in the company's books.

Q. Can you give us the dates of those payments and the amounts as received from the Insurance Department?—A. I can.

Q. Give us it?—A. This is a memorandum which Mr. Hunter supplied me with—whom Mr. Eldridge knows very well.

Q. Give us the names?—A. On January 25, 1899, was paid \$5,000 to John McDonald. On March 15, \$5,000; on May 15, \$5,000, making \$15,000.

By the Hon. Mr. Watson :

Q. On account of what?—A. Paid to John McDonald, of Philadelphia, who was Mr. Hoffecker's representative to receive the money.

Q. For what purpose was that \$15,000 paid?—A. It was agreed upon that Mr. Burnham or the company should pay all the costs of this prosecution, for which Mr. Hoffecker put in a bill for \$15,000, claimed that, and that amount was paid upon all proceedings between them being dropped.

Q. Who got the benefit of this amount, do you know?—A. Mr. Hoffecker and some other lawyers.

Q. General Tracy?—A. General Tracy was paid. Of course, all the costs incurred by General Tracy and some other lawyers were paid.

By the Hon. Mr. Watson :

Q. Did the clients not get any portion of the money?—A. I do not know what the clients got. I did not get any.

Q. Did the lawyer simply take the money and drop the case?—A. The lawyer took the money on the agreement that he was to resign.

Q. And dropped the case?—A. The whole proceedings dropped, and the papers were handed over by General Tracy to Hoffecker.

Q. He got out of the deal by paying his own money or the company's money?—A. It is charged in the company's books.

Q. And the other condition was that he was to resign at the next annual meeting?—A. Yes.

Q. These were the conditions?—A. There were other conditions.

By the Hon. Mr. Wood :

Q. Were the proceedings for money or what?—A. No, for the dismissal of the president and Mr. Eldridge—petition to the Attorney General.

By the Hon. Mr. McSweeney :

Q. Did they both promise to resign or only Mr. Burnham?—A. Only Mr. Burnham.

By the Hon. Mr. Watson :

Q. Did he resign?—A. He did not.

By Mr. Coster, K.C., Counsel for the Committee :

Q. How do you know he promised to resign ?—A. Because I took this letter from Hoffecker, and he agreed to resign in my presence.

Q. A statement was made here that General Tracy withdrew from the case, and refused longer to serve the parties; that is in the statement submitted to the Senate by the company. What do you say?—A. I say it is untrue.

Q. What did happen ?—A. The proceedings dropped, and there was no more about it, so far as General Tracy and his firm were concerned. Some time after that, General Tracy went to England on the Venezuela arbitration, and on his return the firm dissolved.

Q. And you say that General Tracy never withdrew from the case, but that it was settled?—A. Precisely.

Q. By the payment of this \$15,000, and upon President Burnham undertaking to resign?—A. Precisely, and there is a copy of a letter from Mr. Tracy's firm.

Q. Have you got the letter from Mr. Tracy's firm in which they say they did not resign?—A. Yes, I saw the original letter, and asked him for a copy. Here is a copy of Hoffecker's letter to Tracy.

Q. I see these are copies of letters. How do you know these are true copies of the letter?—A. I saw the original and asked Hoffecker to send me a copy.

Q. You saw the original, and those are copies of the letters?—A. Yes.

By the Chairman :

Q. What does Tracy state in his letter?—A. 'We have made no statement of the character referred to in your letter. It will please us if you will be good enough to tell us the name of your informant.—TRACY, BOWDEN & PLATT.'

By the Hon. Mr. Wilson :

Q. That is simply a detail of a statement that they had refused to act?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What you say is, leaving the letters out of the question, you say that it is not true that he withdrew from the case, and refused to act longer?—A. It is not.

Q. What reason have you for saying that?—A. The reason for saying that, because the case was dropped and the company paid all the costs to the extent of fifteen thousand dollars, and the whole case was dropped, and that ended the case.

Q. Did you not see a letter written by General Tracy?—A. I saw letters written by Tracy, Bowden and Platt, to Mr. Hoffecker, practically denying the statement. I was vice-president of the company up to January 25, and one of the payments was made then—

By the Chairman :

Q. When this petition was got up and supposed to be presented to the Insurance Department, to have Mr. Burnham dismissed, in what year did it take place?—A. In 1898.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Who was proposed as successor to President Burnham?—A. General Thomas L. James, the former vice-president, was the name suggested to Mr. Burnham and discussed by all that were interested in the removal of the present management as the successor to Mr. Burnham.

Q. Was he asked to act?—A. He was.

Q. Did he agree to act?—A. He was in England at the time, and the cable-grams—

Q. He declined to act; is that a fact?—A. He did not decline—he wanted to leave it open until he returned, but if an immediate answer was necessary, he could not give an immediate answer and said no. He said he would return in a certain time.

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Q. You say Burnham agreed to resign. Did he resign?—A. He did not.

Q. What occurred about the time of the next annual meeting?—A. On the day before the annual meeting he sent for me.

By the Chairman :

Q. Who?—A. President Burnham, and referred to the difficulties that he had had in the last year, and that to-morrow was the regular annual meeting, and that as he had referred to the fact that he had proxies, and could elect such directors as he chose, but he said, 'Mr. Wells, I would like to have from you a letter, I do not care how you say it or express it, that you are satisfied with my management.' I replied and said, 'Mr. Burnham, I am on record as being dissatisfied with your management. You agreed to resign, and have remained up to the present time, and I certainly will not stultify myself by giving you such a letter.' Well, he discussed the matter over for some time, and I said, 'No, Mr. Burnham, I positively refuse to give you such a letter, and it means if you are not going to carry out your agreement, here is my resignation,' and started to write it, and he said, 'No, no, don't write it. I wish you to think over it. Go home, and think over it, and to-morrow tell me how you feel about it.' 'Well,' I said 'there is no use. I certainly will not give you a letter of that kind,' and he said, 'Go home, anyway, and we will have a talk about it,' and the next day, an hour or two before the annual meeting, he sent for me again. I went to his office, and he said, 'Mr. Wells, have you got that letter, or written that letter that I was suggesting yesterday?' I said, 'Mr. Burnham, I have not, and do not intend to write any such letter,' and we got into some pretty warm words. I then again started to write my resignation, and he said, 'Oh, don't do that. We will send for Mr. Lawrence, the special counsel for the company.' He sent for Mr. Lawrence, and he came in, and he stepped into an adjoining room and left me and Mr. Lawrence together, and Lawrence pleaded with me for nearly an hour to give him that letter, that it would make everything harmonious, and that my election would take place if I only gave him such a letter as was suggested. I might write it in my own way. I declined to do it most positively. After declining to do it, and he was satisfied there was no use in further talking about it, he then said. 'Mr. Wells, will you go away and take a trip. If you will, we will continue your salary for as long a period as you desire, and pay it each week into some bank that you may nominate. We want to recognize your services, and all that, and we would like to have you take a trip and remain away for such a period as you desire,' and I declined it, and said, 'I do not want any money from this company that I do not earn, and I do not propose to put myself on the salary list of this or any other company unless I am entitled to it,' and after a long talk about it he called Mr. Burnham back and said, 'This is the most incorrigible man I ever met. I cannot do anything with him.' 'Well,' said Mr. Burnham, 'I must have the confidence of my directorate,' and I said, 'Mr. Burnham, you cannot have mine. Good morning.' That is all that passed between us, and I went immediately and wrote out my resignation.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Look at that paper. Is that a copy of the resignation you put in, and when did you put it in?—A. I gave it within a hour, while he was calling the annual meeting together.

Q. Before the annual meeting?—A. Before the annual meeting was over.

Q. And it was delivered to him?—A. Yes.

Q. Before the annual meeting?—A. Before the annual meeting.

Q. It read as follows :—

NEW YORK, January 25, 1899.

F. A. Burnham, Esq., President.

Dear Sir,—Please accept my resignation as manager of agency department. I shall be glad to hand over my desk and papers belonging to the association at your pleasure. In resigning my connection with the association, I beg to say that I shall

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always be happy to learn of its success and progress. In fact, after fifteen years in the service, I would not be human were I to express myself otherwise.

Yours very truly,

J. D. WELLS.

You said something about the Superintendent of Insurance of the State of New York requesting you to furnish him with a sworn statement of the irregularities, or alleged irregularities which caused you to resign. Did you present such a sworn statement?—A. I did.

Q. By whom was it sworn to?—A. Mr. Stevenson and myself.

Q. John M. Stevenson?—A. John M. Stevenson.

Q. He was the assistant secretary?—A. Yes.

Q. Who had also resigned?—A. Yes.

Q. Did you present such a sworn statement?—A. Yes.

Q. That sworn statement, I think, is being produced before the Committee. Have you a copy of it here?—A. No, I have not.

Q. Is it printed in one of the Insurance reports?—A. I think not. I have never seen it. I think it never was printed. It may be printed in Mr. Eldridge's report to the department, but I have never seen it in any superintendent's report.

Mr. COSTER, K.C.—Was that sworn statement printed anywhere, Mr. Eldridge?

Mr. ELDRIDGE.—It was not—not that I know of.

Q. Where is the statement?

Mr. WELLS.—It is in Albany.

Q. Better wire for it, or for the certified copy of it?—A. Yes.

Q. Did the Insurance Department go into this statement? Did they examine you as to it?—A. They never examined me, no.

Q. Did they examine Stevenson?—A. No.

Q. Were you ever asked to be examined on it?—A. Never.

Q. Have you ever before this been examined on these charges?—A. Never.

Q. Do you know of Stevenson being examined on the charges?—A. I know he has not been—

Q. The official report of the insurance department referred to these charges—what year was that?—A. That was in 1899—Mr. Payne's report, you mean.

Q. I should like to read one or two extracts from that. That was the report. It was marked Exhibit 6, I think, here. It was the report of the superintendent and examiner of the Insurance Department on the examination of the Mutual Reserve Fund Life Association of New York city as of May 16, 1899. Have you read this report?—A. I have.

Q. Look at page 7 of that report. Reference is made by the superintendent to the contingent fund as follows:—

'In the examiner's data, presented with his report, though not referred to in the report itself, I find the record of a transaction, the propriety of which I question. It consists in placing a so-called contingent fund at the disposal of the president of the association, to be used by him in his sole discretion for the purpose of meeting certain expenses incident to the association's affairs. While the directors of the association have power to regulate the compensation of its officers, agents and employees, I question the regularity or propriety of the board's action in placing in the hands of the president a fund to be used by him without an accounting by him in detail of the purposes for which the moneys were employed. If used for any purpose, these funds form items of disbursements, the receipt for which should appear among the appropriate vouchers, representing payments made in the association's behalf. Such receipts, the examination shows, were not among the association's record.'

WELLS

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That was one of the charges that was made, was it not?—A. It was, if I remember right.

Q. It has been stated that the accounts of Mr. Burnham were audited, and the superintendent says here that there were no receipts. Could you explain to the Committee how they could audit the account, if there were no receipts?—A. It would be impossible, I fancy, to audit the account if there were no receipts. Mr. Burnham might possibly have presented an account, but there were certainly no receipts the superintendent of insurance could get at. I never saw a receipt.

Q. There was an amount of \$360,000 referred to by the examiner. Would you find that and give the page?—A. \$360,915.07.

Q. What was that amount principally made up of?—A. Agents' balances, I think, principally made up—

Q. The indebtedness to Moss and his agents for advances, was it not?—A. Precisely.

Q. There is also an amount mentioned in that report of \$244,954.07 of agents' debit balances—pages 18, 19 and 20?—A. Those were the unpaid balances, as I remember it. They accrued after 1897.

Q. \$247,954.07?—A. Principally under Moss's contract.

Q. That was agents' debit balances, was it not?—A. Yes.

Q. On page 20 of that report, \$93,810.78; that is alluded to there?—A. Yes.

Q. Is that the item of which you have already spoken, which you have said was improperly credited to Mr. Moss?—A. That was the same item.

Q. I call your attention to the foot of page 20, which reads as follows:—

'The insurance effected in 1897 was in the main written upon what is known as the five-year combination option policy. The business then procured amounted to \$30,700,000. On May 16 last but \$16,800,000 remained.'

I want to ask you as to whether this is the transfer business to which you and Mr. Stevenson have testified?—A. A very large proportion, if not the greater proportion of that, was actual transfer business.

Q. Does the superintendent give there the cost of that business?—A. Yes, he does.

Q. See if you can see it there?—A. Yes. Page 21. It reads as follows: The commission cost of this business on initial year's premiums from the time these policies were first written in 1896, to May 16, 1899, is as follows:—

Initial year receipts, 'Five Year Combination' policies	\$1,715,870 19
Initial year commissions, 'Five Year Combination' policies	1,056,361 74
	<hr/>
Initial year, balance of receipts	\$659,508 45
Of which there are agents' debit balance of	321,472 44
Initial year net receipts on 'Five Year' new business	\$33,036 01

I call your attention to a seemingly vital point, established, I think, as the outcome of the association's strenuous attempt to secure new business in 1897. The sums invested in this direction were considerable. No effort appears to have been spared in furnishing its agency department with every available means by which to accomplish results, as is evidenced by the liberality of its contracts with the general manager, yet, notwithstanding this, the business in force fell off from January 1, 1897, to the close of the present examination, to the following extent:

The association's sworn statement to the Insurance Department for the year ending December 31, 1896, showed it to have 118,449 policies in force, covering \$325,026,061 of insurance. From the examination just closed it is ascertained, as stated, that its policies in force number 76,592, or a falling off of 41,857 since the beginning of 1897, with an accompanying loss of \$130,970,090 of insurance since then, being a decrease of 35 per cent in number of policies, and 40 per cent in amount of insurance in force.

This depletion of membership and of insurance in force has transpired, notwithstanding the fact that every aid has been extended by the association to its members with a view of encouraging the continuance of their premium or assessment payments.

Q. Do you know of any effort having been made to induce the superintendent of insurance to modify this report?—A. I do.

Q. Who made it?—A. Mr. Burnham, Mr. Eldridge, I think—I won't be positive, but I think he was one of the deputation, Mr. Lawrence, Frank Lawrence, Mr. James—not General James, but Mr. James of James & Elkins, and some name I forget, lawyers, and I think Mr. Lottery.

By the Hon. Mr. McSweeney :

Q. Is General James ex-postmaster?—A. Oh, no.

By the Chairman :

Q. What did they do?—A. They went to Albany—I may say that before the report of the superintendent of insurance was published, the right extended to every company where an examination was made, to appear and hear the report read, and make any objections they see fit. They visited Albany, I think.

By Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. You were not present?—A. I was in Albany at the time, and saw the crowd there.

By the Chairman :

Q. That deputation was in connection with the business of the company?—A. Yes.

Q. And you were one of the officers?—A. No. I was in Albany at the time.

By the Hon. Mr. McMullen :

Q. What did they do in Albany?—A. They visited the superintendent of insurance and discussed the report which he had ready, and proposed some modifications of that report which were argued.

By the Hon. Mr. Béique :

Q. In your presence?—A. No. He refers to it in his report. Not in my presence.

By the Hon. Mr. Watson :

Q. What knowledge have you?—A. I have the superintendent's report.

Q. But what knowledge have you that they went there?—A. I saw them.

Q. Did you go with them?—A. No.

By Mr. Coster, K.C., Counsel for the Committee :

Q. It is referred to in the superintendent's report?—A. Yes, those individuals went there for that purpose.

Hon. Mr. WATSON.—He does not know.

Q. Had you any litigation arising out of the charges with the Mutual Reserve?—A. I had.

Q. What was it?—A. They had me arrested for civil libel, and I put up bonds, and they tried very hard to put me in jail one night, but did not succeed, having served me at a late hour with a process. I put up bonds, and retained ex-Governor Black, who put up a defence in my case, and the litigation went on from month to month, and I should say almost from year to year—probably a couple of years that litigation was in progress.

WELLS

APPENDIX No. 1

By the Hon. Mr. Béique :

Q. Who arrested you ?—A. They did.

Q. Who ?—A. At the instance of Mr. Burnham.

By the Hon. Mr. Watson :

Q. What date was that ?—A. That was in 1899, I think in September. It was a day called 'Dewey day.'

By Mr. Coster, K.C., Counsel for the Committee :

Q. Was it criminal libel ?—A. No, civil libel, in which you are liable to arrest for libel.

Q. What became of the suit ?—A. The suit was withdrawn at the same time, or shortly after they settled that suit of mine for the \$5,000. They paid all my costs in that case, all the costs incurred, and abandoned the proceedings.

By the Chairman :

Q. Abandoned the libel suit ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. And the company paid all the costs ?—A. Yes.

Q. So you had none to pay ?—A. None, not a dollar.

Q. You had nothing to pay ?—A. No.

Cross-examined by Mr. Aylesworth, K.C., Counsel for the Mutual Reserve :

Q. I understand that the contract with Moss, which was in fact signed by you, met with your entire approval ?—A. It did.

Q. That is the second contract with him of 1897 ?—A. Yes.

Q. Did you sign the first one with him ?—A. I did.

Q. And that you also have no criticism to offer in regard to ?—A. No.

Q. Each of those you consider contracts proper in the true interests of the association to have been entered into with him ?—A. I did, or I would not have signed them.

Q. And they were approved by the whole board ?—A. No, by the executive.

Q. Then the contract of 1898 you had nothing at all to do with ?—A. No.

Q. This contract of 1897 was signed on the 7th January, I understood you to say ?—A. I think that is it.

Q. Two copies of it signed ?—A. In duplicate.

Q. Each one signed before a witness, I suppose ?—A. I think there was a witness; I am not quite certain about that.

Q. Signed by yourself and somebody else representing the company ?—A. I think Mr. Eldridge and one other. The contract speaks for itself.

Q. Three gentlemen representing the company, and by Mr. Moss ?—A. Yes.

Q. That is right ?—A. Yes.

Q. What became of the two documents ?—A. One was retained by Mr. Burnham and the other given to Mr. Moss.

Q. Carried away ?—A. Yes.

Q. Did you ever from that day forward again see the copy that Mr. Moss carried away ?—A. No.

Q. Never saw that from that day to this ?—A. No—I won't say that, because I saw a copy of it.

Q. I am speaking of the original ?—A. No, I never saw the original.

Q. From that day forward did you ever again see the other original; the one that Mr. Burnham kept, until after you returned from England ?—A. I did not.

Q. You saw it then in Mr. Burnham's possession. He drew it from his desk ?—A. Yes.

Q. Just you and he in the room ?—A. Yes.

Q. Did he open it out ?—A. He took it out of his desk.

Q. Did he open out the document ?—A. I think he did.

Q. Do you know?—A. I cannot remember whether I opened it or he opened it. It was certainly opened—yes he opened it, because he pointed to the clause.

Q. On the second of the three leaves it consisted of?—A. Yes.

Q. And the same statement, I suppose, about the clause, at the time he pointed to it?—A. Yes.

Q. Saying it recited what they had been doing?—A. Yes.

Q. How were you standing at the time, with reference to him?—A. I cannot say the point exactly. I do not know whether I was standing or sitting down. I do not remember.

Q. He was sitting at his desk?—A. I think so.

Q. He opened his desk and drew out this document?—A. He did not open it. It was opened.

Q. He drew out the document and showed it to you?—A. Yes.

Q. Did you read it looking over his shoulder, or did he hand it to you?—A. He handed it to me to read.

Q. And you took it into your hands and read it?—A. Yes.

Q. And handed it back?—A. Yes.

Q. Having it in your possession a minute or two?—A. Yes, more than that. I had it some time. I went to the window and held it up—

Q. Just on that occasion?—A. On that occasion.

Q. Having it in your possession on that day for a minute?—A. A good deal more than a minute.

Q. Five or ten minutes?—A. Yes, fully.

Q. While you were talking to Burnham?—A. Yes.

Q. And handing it back to him after the interview?—A. Certainly.

Q. Did you take any copy at the time?—A. I did not.

Q. You carried in your memory simply what you then read?—A. I did.

Q. And you had nothing at the time to assist you in remembering the language of the document as signed by you, sixteen months before, except your memory?—A. Nothing except my memory. I knew what it was.

Q. And it is from that, is it, that you state that in the interval he had substituted that intermediate sheet?—A. It is.

Q. Did you ever see that document again?—A. I did.

Q. When next?—A. I saw the original document—not that document. I saw the original one in the hands of the superintendent of insurance while he was making the examination.

Q. When would that be?—A. I think in August he commenced his examination, if I remember right.

Q. In what year?—A. In 1899. The examination was made in 1899.

Q. After you had left the company?—A. After I had left the company.

Q. This occurrence with Mr. Burnham was early in May, 1898?—A. Yes—no, I am a little too fast. It was not early in May, 1898. It was shortly after I had called to my attention the irregularities—probably a month or two after my return from England.

Q. You said this morning it was on returning from England?—A. Well, I had only been home a month or two.

Q. It would be in the month of May?—A. Probably in the month of June. I cannot define it.

Q. From that time forward, May or June, 1898, did you ever see that document again until August, 1899?—A. I did not.

Q. Then you saw it in Mr. Appleton's possession, and it was then in the condition in which it was when you signed it?—A. In the original condition.

Q. In the condition it was in when you signed it?—A. Yes.

Q. And that substituted leaf had been replaced by the one put back again?—A. I won't say that.

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Q. It was all right?—A. It was the one I had signed.

Q. It was the front page and last page always?—A. Excuse me, the contract that he gave to Mr. Appleton was the genuine unaltered contract.

Q. But the one he showed you in May was the genuine last page, because it had your signature?—A. Yes.

Q. And genuine first page?—A. Yes.

Q. It was only the intermediate page that was curious?—A. Yes.

Q. So that in the interval between May, 1898, and August, 1899, some one had taken away the spurious second page, and restored the genuine one?—A. No, I won't say that.

Q. What do you say?—A. I say he had returned Mr. Moss's contract. He had both contracts. Moss returned his contract and he had the two contracts in his possession, one of which was kept in its original state, and the other was altered.

Q. What authority have you for saying that Moss returned his contract?—A. I have Moss's statement to his lawyer, when he brought the suit against Burnham—all the proceedings in that case.

Q. When you saw this in May, and recognized that the middle page was a spurious one, and you made some ejaculations, Burnham said there was not a word of foundation for it at once?—A. No.

Q. He insisted it was the contract?—A. I did not say to him that it was a spurious contract.

Q. You did not?—A. No.

Q. You knew it?—A. I said, 'Good heavens, Burnham, we never signed a contract of this kind.'

Q. And you knew it was a forgery?—A. I did not have proof it was a forged contract, but I felt certain and knew that it was a forged contract.

Q. You knew just about as much about it then as to-day?—A. No.

Q. Had just as much proof then as to-day?—A. No.

Q. You had the proof of your own memory?—A. Perhaps some other proof.

Q. You had the proof of your own memory?—A. Yes.

Q. Confident of it?—A. Yes.

Q. And did not say one word to Burnham?—A. Not just at that time. I did to other officers.

Q. When did you ever mention to Burnham that it was a spurious contract?—

A. I cannot tell you exactly, but in one of the subsequent interviews.

Q. That is very general?—A. I cannot tell.

Q. Did you ever mention it to Burnham?—A. I think I did.

Q. You are not very sure?—A. I am almost positive, and I am almost positive I did in one of my letters. I think one of the letters refers to it.

Q. It would be a pretty serious business to alter a contract?—A. I think it is referred to in my affidavit that I put—

Q. You are not sure you ever mentioned it to Burnham or not, or are you?—A. I feel pretty confident I did.

Q. But could not give me any particulars of how you did?—A. No, I think in one of my letters I did, and I feel pretty confident I did, in conversation.

Q. It was a pretty important feature in your mind?—A. Yes.

Q. It meant, you say, giving to Moss \$3,500 a week, as a present practically?—A. Practically that was the result of it.

Q. Did you ever consider how much that would come to in a year?—A. Yes.

Q. How much?—A. \$182,000.

Q. Had he been getting the \$3,500 a week before you saw this contract, after you signed it?—A. Had he been getting \$3,500 a week?

Q. Yes?—A. Not to my knowledge.

Q. You were his immediate superintendent?—A. I was prior to that time, when he practically took my place, the day that was signed.

Q. You were the head of all the agents ?—A. Yes, the head of the agency department.

Q. Moss was one of the agents?—A. Under his metropolitan contract, he was manager.

Q. And he was directly under your superintendence ?—A. At that time.

Q. He was in that position after you made the contract in January ?—A. Not at all. He was president and everything else, ruled Burnham and every one else.

Q. That is an easy thing to say ?—A. Everybody knows it.

Q. He was under your control as superintendent of agents. You were the head of all the agents in 1897 ?—A. No, after he signed that contract, he assumed complete charge of the agency department.

Q. And complete control of you ?—A. No, decidedly not.

Q. And from January, 1897, when that contract was signed, until July, 1897, when you went to England, you knew what Moss was doing ?—A. I did not.

Q. Why not?—A. Because I had not the opportunity, was not consulted about it, except as to the business that came in in a general way.

Q. You knew he was getting \$3,500 a week ?—A. Yes.

Q. You were chairman of the executive ?—A. The first one or two months, the accounts were made out correctly, and the charges just as the contract defined. Those two months the contracts were proper and right, after the contract was signed.

Q. You were chairman of the executive during the six months of 1897 ?—A. Yes.

Q. And you knew Moss was getting \$3,500 a week ?—A. I was away a good portion of the time.

Q. You knew he was getting it ?—A. Yes, I signed the contract.

Q. And his contract entitled him to it ?—A. Yes.

Q. And when it was given to him it was intended to be distributed by him to agents, was it not ?—A. Yes, that is what it was given to him for.

Q. It was company's money, given to him to be by him distributed to different agents in different sums, in advance payments, in respect of what they should afterwards earn by turning in business ?—A. And charged to some one.

Q. That is what it was for ?—A. Yes.

Q. So that every week, when he would get \$3,500, he would be charged with that in the books ?—A. Yes.

Q. Debited with it ?—A. Yes.

Q. That was the proper thing to do ?—A. Yes.

Q. Then when he would give say seven or eight hundred dollars, take any figures you please, when he would give eight hundred dollars to agent Smith, what do you say ought to be done about it ?—A. He would give \$800 ?

Q. Yes ?—A. Simply the company's duty would be to see that he had given it, and to see that he produced vouchers for the amount given.

Q. Supposing he gave his own cheque to Smith, and brought it in with Smith's endorsement ?—A. He would want to know who Smith was.

Q. Supposing he is an agent ?—A. The contract called for a voucher.

Q. Is that not a voucher ?—A. No.

Q. What is it ? A receipt ?—A. Yes.

Q. Then Smith gives him a receipt ?—A. Yes.

Q. And he produces a receipt to the company ?—A. Yes.

Q. What entry do you make in the books of the company ?—A. Don't make any, have no right to.

Q. What about Smith's account ? He has an account with the company, has he not ?—A. Not with the company. The company keep an account, and they give Mr. Moss a statement every month, of the balance.

Q. You know the way they kept the books ?—A. Yes, in a way.

Q. Did they not have an account with each one of their agents ?—A. They should

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not have, but they did in this case keep an account, and assume the agents' balances. There were two accounts kept.

Q. Take any agent, I say Smith, just for a name, they would have an account with Smith, would they not, in their books?—A. Probably kept a record.

Q. And when Mr. Moss brought in Mr. Smith's receipt, or his own cheque endorsed by Mr. Smith for \$800, did the company not charge that amount to Mr. Smith?—A. I do not think they should. They did it, but I do not think they should. That is what I complain of.

Q. And as Smith would earn that \$800 by sending in new business, they would credit him with the amount of commissions he earned, would they not?—A. They probably would.

Q. So as to show the condition of Smith's account?—A. Yes. To keep a record of it.

Q. It is your idea that they ought to have left Moss charged with that \$3,500 a week, and not credited him with what he did with the money?—A. Unquestionably.

Q. So that his account ought to have shown him in debt to the company \$182,000 every year?—A. Yes, giving credit for the commissions, the twenty per cent over-riding commissions were supposed to wipe out this \$182,000. And another thing, the accounts that he advanced to the agents, the agents should have remitted, not retaining their commissions, should have remitted the whole amount of the premium, and on that Mr. Moss would be credited with 85 per cent instead of 20.

Q. The money was given to Mr. Moss for a special purpose?—A. Yes.

Q. To distribute to this, that, and the other agent?—A. Yes.

Q. And when he got \$3,500 of the company's money, it was properly charged to him?—A. Precisely.

Q. And you say it was not well to credit him with that money when it was remitted by the agents?—A. No.

Q. He should not get credit for this money he paid to this man and the other man?—A. No, the contract does not provide for that.

Q. But you say he ought to have his account charged with \$182,000 per annum, and that to accumulate without any credit for the money paid on the other side?—A. No.

Q. What should be credited against it?—A. I say coming against that should be 85 per cent of the business that came in, and whatever the agents retained of those commissions should be debited to that account. If the agent returned 65 per cent, then the 65 per cent was charged in that account and to his credit, would be probably 85 per cent, giving him an over-riding commission of 20 per cent.

Q. That is the system of book-keeping that obtained during the first seven months of 1897 while you were there?—A. It was for a time; I do not say how long.

Q. When you came back and investigated, you found out it continued during your absence just the same?—A. I did.

Q. And the same course was pursued by the company under the contract as you signed it in January, 1897, and under the contract as altered by the president?—A. I do not understand you.

Q. Exactly the same course was pursued by the company under the contract under its proper genuine condition, and under what you call its spurious condition?—A. No, because during the first two or three months it was properly done.

Q. Explain to me what the difference in the system pursued by the company was?—A. The difference, in the first place, the commissions retained by the agent were charged in the account, Mr. Moss's account, the \$3,500 a week, and brought to his credit was the 85 per cent, which gave him an over-riding commission of 20 per cent.

Q. The change that you say you recognize—let me know what that was? If I understand you correctly, it was written as you signed it in this way: 'Such an amount

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to be charged to your account, and to be accounted for in detail with proper vouchers, whenever requested by the association' ?—A. That was, I think, the original.

Q. That is the way we have it here. Then if I understand you aright, you tell us, speaking from your memory, you saw it 16 months afterwards in Mr. Burnham's possession—it read, a clean copy—'Such amount to be charged to your account, and remain so charged until satisfactorily accounted for' ?—A. That is precisely what I said.

Q. You think there is a difference between these two phrases?—A. I do, a decided difference.

Q. It was proper to charge it to his account?—A. Yes.

Q. And proper it should remain so charged?—A. Yes.

Q. Is it not proper to be so charged until 'satisfactorily accounted for' ?—A. That makes all the difference, that it remains until a certain thing happens, and then by furnishing vouchers it is wiped out of the account.

Q. Scratched out with a pen?—A. Credit is given him for the amounts he had paid out, and in the other case, it was to remain charged, and the amounts that he paid out to his agents or advanced to his agents—the contract did not provide that they should be credited to him. There is no 'until' in the first sentence there, and the amounts under the altered contract, when he presented those vouchers that were satisfactory to the company, the word 'until' recognizes the fact that the amounts should go to his credit.

The Committee adjourned until 10 a.m. to-morrow.

OTTAWA, THURSDAY, June 30, 1904.

The Committee met at 10 a.m.

Hon. Mr. WILSON.—There was a matter that we did not have sufficiently explained to us, that is, how the \$182,000 transaction was managed. Why were the funds placed in his hands? How was he to account for them, and what disposition or vouchers did he show as to the use of it?

The CHAIRMAN.—To what do you refer?

Hon. Mr. WILSON.—The amount that was paid to Mr. Moss. I should like a little further explanation with reference to it.

The CHAIRMAN.—Before proceeding with the cross-examination of Mr. Wells I would call upon the counsel for the Committee to gratify the wishes of the hon. members of the Committee in regard to that matter.

Hon. Mr. WILSON.—I should like to have Mr. Wells explain to the Committee more fully and satisfactorily the manner in which that money was appropriated and used.

Examination of A. D. Wells resumed.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Under the second contract, Mr. Moss was to get \$182,000 a year?—A. He was to get \$3,500 a week.

Q. That amounts to \$182,000 a year?—A. Yes.

Q. That was to be loaned by him to his sub-agents—is that right?—A. It was.

By the Hon. Mr. Wilson:

Q. Am I to understand that it was to be loaned?—A. Loaned.

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By Mr. Coster, K.C., Counsel for the Committee:

Q. Loaned by Mr. Moss to his sub-agents, and Mr. Moss was always responsible for every dollar of it to the company?—A. He was.

Q. And was not entitled to receive one cent for himself until the whole of it was paid back?—A. Precisely, that is the interpretation.

Q. That is the effect of the contract which you signed?—A. It was.

Hon. Mr. BÉIQUE.—That is a matter of interpretation.

Hon. Mr. WILSON.—As a matter of fact, what I want to get at is whether the money was loaned or used by Mr. Moss, and the manner in which it was used, not the interpretation of the contract.

By Mr. Coster, K.C., Counsel for the Committee :

Q. During your connection with the company, you have made a great number of contracts have you not?—A. I have.

Q. On all occasions this money for advances was paid to the agent, and was not the agent called upon to account for and pay back the whole of it?—A. He was.

Q. And what did Mr. Moss do? Did he pay it back?—A. He did not pay it back.

Q. Not only did he not pay it back, but did not he receive further amounts from the company?—A. He did.

Q. In the ordinary course of events, following out the usual practice of the company with all agents, explain exactly what would be done, or rather tell me if I state it accurately. Correct me if I am wrong. The \$3,500 a week would be charged to Mr. Moss's account?—A. Yes.

Q. He would be obliged to render vouchers to the company signed by the agents to whom he made the advances—is that right?—A. He would.

Q. And the money would still remain charged to his account, and moneys that came in for premiums, his share of the commission, would be credited to him on account of these moneys that he got?—A. Precisely.

Q. That would be the correct way of doing it?—A. That would be the correct way of doing it.

Q. And the only correct way of doing it?—A. And the only correct way of doing it.

Q. Therefore, you say that Mr. Moss was not entitled to use for his own purposes a cent of that money?—A. He was not.

Q. And that he was not entitled to be credited with one cent of that money upon producing vouchers for the loan?—A. He was not.

Q. But, as a matter of fact, he did not produce vouchers; he simply put in his own statement that he had paid it out to agents, and never paid it back?—A. That is correct.

Q. Is not that, shortly, an accurate statement of it?—A. Yes.

By the Chairman :

Q. To sum up the whole thing, the company put to his credit \$182,000 a year?—A. During the year—\$3,500 a week—that was put to his credit.

Q. That money was returnable to the company?—A. Payable in commissions or money.

Q. As a matter of fact, was that done by Mr. Moss?—A. It was not.

By the Hon. Mr. McMullen :

Q. In the first place, you say \$3,500 was advanced weekly to Mr. Moss for the purpose of aiding the agents?—A. His agents.

Q. To do business?—A. Loaning it.

Q. When he produced a voucher that he had loaned Jones \$800, as a result of that voucher that \$800 should be credited to him and charged to Jones?—A. No. The object of producing that voucher was a check that he had distributed that, or advanced that amount.

Q. Even admitting that Jones is the agent of Moss—Jones was Moss's agent?—A. Yes.

Q. He hired all these agents?—A. Certainly he made the contracts with those different men. They were his agents on the same principle as any man employs agents. They were responsible to the manager.

Q. Then, when the fees came in from time to time, the proportion that would be coming to the agent, the 65 per cent, would be credited to the amount that had been advanced to that agent?—A. No, the 85 per cent would be credited to Mr. Moss, who was entitled to the whole amount, to whom these moneys had been loaned or advanced, which ever way you take it, were charged. They were charged to him and the 85 per cent was to be placed to his credit when the premiums were returned from the agents.

Q. They were his agents, not the company's?—A. Of course.

By the Hon. Mr. Béique :

Q. I fail to see in that contract any reference to 65 per cent?—A. No, I say 85 per cent.

Q. I think you have spoken in that connection of a commission of 65 per cent?—A. Yes.

Q. It was to go to the agents as being the average commission which would be paid to the agents by Mr. Moss?—A. Yes, that would be the average commission which Mr. Moss would allow these agents. Some of them less than 65 per cent.

Q. And the balance, 20 per cent, which you call the over-riding commission?—A. Yes.

Q. But I fail to see any distinction of that kind in the contract?—A. Oh, no, there is not.

Q. The only thing that I find in the contract is that he was to have 85 per cent of commission?—A. Precisely.

Q. And it is stated on what business he was to get that 85 per cent commission?—A. Precisely.

Q. As to the agents, there is no reference at all?—A. Not at all.

Q. In the contract the commission is not to be paid to the agents?—A. Decidedly not.

Q. I find in the clause referring to the \$3,500 per week, 'The association will advance to you (Moss) the sum of \$3,500 a week for advances to agents'?—A. Yes.

Q. 'Such sum to be deposited in bank weekly to your credit as general manager, subject to your cheque, such amount to be charged to your account and to be accounted for in detail with proper vouchers whenever requested by the association'?—A. That was it exactly.

Q. Then it is advances to him for a special purpose?—A. Yes.

Q. To be advanced by him to the agents?—A. To the agents.

Q. To the agents of the association?—A. No. He assumed the contract for the entire United States, and the responsibility of those agents, and hired his own agents, who were responsible to him and he responsible to those agents.

By the Chairman :

Q. So the agents would not have any recourse against the company, but against Mr. Moss?—A. That is a matter of law.

By the Hon. Mr. Wilson :

Q. He could make the best arrangement he could with the agents?—A. Yes, which he did.

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By the Hon. Mr. Béique :

Q. As a matter of fact, under this contract, he was to pay the commission to the agents, whether the agents were to be considered his or the agents of the company—the commission payable to the agents was to come out of the 85 per cent which he was getting?—A. Precisely.

Q. And the balance was to be his over-riding commission?—A. Whatever the difference was between the contract he made with his agents and 85 per cent, Mr. Moss would get the difference of it by his contract.

Q. He was to be charged with the \$3,500 per week, and when he accounted, what do you understand by the words, 'Such amount to be charged to your account, and to be accounted for in detail with proper vouchers whenever requested by the association.' Who was to account for that? It was he?—A. It was Mr. Moss. He was to account.

Q. He was to account for the \$3,500 a week?—A. Yes.

Q. In what manner was he to account?—A. He was to render the company a statement as to what he did with the \$3,500, so they would keep a check.

Q. Whether he paid the full amount to the agents or not?—A. Yes.

Q. Suppose that of the \$3,500, he showed that he had paid only \$3,000, then he would have to account for the \$500?—A. It would be charged in his account.

Q. Remain charged to his account?—A. Remain charged to his account.

Q. If he accounted for the \$3,000, that would not be charged to his account?—A. Certainly, it would be all charged to his account, because otherwise you were making him a present of those loans.

Q. The company has to take into consideration the amount that is payable by way of commissions to his agents?—A. Certainly.

Q. Or to the agents of the company; but the amount that he has accounted for as having paid out to agents will be charged to the commission of the agent as covering part of the 65 per cent payable to the agent?—A. That is true in one sense.

Q. I do not think there will be any difficulty about that. As I understand it, the two accounts, Mr. Moss's account and the accounts of the agents appear in the books, and the agent, possibly Mr. Moss was responsible, and very likely was responsible, for the accounts of the agents and the whole amount of the commission which was payable by the company was the 85 per cent?—A. The whole compensation.

Q. To cover the agents?—A. Everything.

Hon. Mr. BÉIQUE.—I do not suppose anything to the contrary will be contended from the other side. I do not suppose it will be contended that the company was to be charged more than the 85 per cent. Do you contend, Mr. Eldridge, that the company was to be charged more than 85 per cent?

Mr. ELDRIDGE.—Not for commissions.

Hon. Mr. BÉIQUE.—I understood that you stated the 85 per cent was to cover Mr. Moss's commission and the commission to his agents?

Mr. ELDRIDGE.—Yes.

Hon. Mr. BÉIQUE.—It is a mere matter of book-keeping, and the question is in a nutshell as to whether the company has been made to pay that 85 per cent?

Hon. Mr. McMULLEN.—The point is this, if the contention of Mr. Wells is correct, that Mr. Moss hired his own agents all through the United States and paid them. Mr. Moss should have kept, and I have no doubt he did keep, an account with each agent. The company gives him \$3,500 a week, and he advances so much out of that to the agents. When the agents send in business, there will be 65 per cent for their commission which will be credited against the advances made. It goes to the company's funds, and Mr. Moss receives credit for it against the money advanced to him. In

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that way Mr. Moss would charge to every one of the sub-agents the amount of money that he had advanced them, and would say to them, 'Now, when you send in business you send it to me; I credit you with 65 per cent; 20 per cent comes to me, and 65 per cent goes to you; I will credit that amount to you against the advances I am making you and that money will be turned over to the company, and I will get credit on the gross sum advanced to me.'

Hon. Mr. BÉIQUE.—I think the whole question is this; Mr. Wells claims that the company was made to pay a great deal more than the 85 per cent commission—in fact, paid the 65 per cent, or part of the 65 per cent twice, and Mr. Eldridge claims that it is not so. The question is whether the company was made to pay more than 85 per cent as covering the commission to Mr. Moss to the agents.

By the Hon. Mr. Béique :

Q. I understand that you have already stated that the company was made to pay a great deal more than 85 per cent—\$100,000 more than was represented by the 85 per cent commission mentioned in the contract with Mr. Moss?—A. I do.

By Mr. Coster, K.C., Counsel for the Committee :

Q. In other words, to put the matter shortly, Mr. Moss's account should have been charged with \$182,000 in the year, and he was only entitled to a credit of 85 per cent of all the cash premiums that he sent in?—A. Yes.

Q. Is not that the whole thing?—A. Yes.

Q. That should have been his whole account?—A. Yes.

Q. And the balance would be money due him by the company?—A. Yes.

Cross-examined by Mr. Pringle, Counsel for the Company :

Q. To clear up some questions by Senator McMullen, I should like to know from the initiation of this contract with Mr. Moss in 1897, who kept the agent's accounts? Was it Mr. Moss or the company?—A. The company kept check on the different agents, and Mr. Moss's duty was to keep their accounts as well.

Q. The accounts appeared in the company's books?—A. Every agent's account does—every agent that does business for the company.

Q. So that when this \$3,500 a week was distributed to agents, Mr. Moss was credited with the amounts and the agents who received them were debited with the amounts?—A. That is what I complain of; they should not have been credited to Mr. Moss.

Q. That was from the initiation of this contract?—A. Yes.

Q. What was your position in that company at that time?—A. At that time I was one of the vice-presidents, and I was manager of the agency department, and chairman of the executive committee.

Q. And you had an intimate knowledge of this matter?—A. I had; I signed the contract.

Q. Was your protest registered in respect of the method of charging those agents' accounts?—A. Just as soon as I found it out.

Q. When did you find it out?—A. I found it out on my return from Europe.

Q. How long had you been in America during the currency of this contract?—A. It began in January and I was there until July.

Q. And during five or six months you discovered nothing?—A. No, because the first accounts were rendered right.

Q. And the agent's accounts were not kept by the company?—A. Certainly they were; but at first Mr. Moss rendered the accounts as I contend they should have been made out, charging him with the amount of money he received, and crediting him with his commission of 85 per cent.

Q. How long a period of time would that run over?—A. It depends on when they made them up. I cannot recall when they made them up.

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Q. I want you to recall some of the facts for us?—A. That contract was made in January. When that contract was made the agency department was taken practically and totally out of my hands. When that first account was rendered I cannot tell; I do not remember.

Q. The agency department was taken out of your hands?—A. Certainly.

Q. And you no longer managed it?—A. I no longer had control of Mr. Moss's department at all.

Q. Will you do a little sum in arithmetic for me?—A. I am a very bad arithmetician.

Q. My idea is to try and find out how much cash premiums would have to be paid in order that Mr. Moss might have earned this \$182,000 which you claim he was given by the company, say at an annual premium of \$20 per thousand?—A. Mr. Eldridge is the actuary, and he can make it up.

Q. I want to get it from you?—A. Take \$100,000,000, at \$20 per thousand, that would give \$200,000, though Mr. Burnham contended that Mr. Moss would do over \$100,000,000.

Q. Then it would take \$100,000,000 insurance in order that Mr. Moss might make \$1 out of his contract other than his weekly salary?—A. No, it would take less than \$100,000,000.

Hon. Mr. BÉRIQUE.—Except extraordinary circumstances are shown, we ought to take it for granted that it was a fair contract for all parties concerned.

By Mr. Pringle, Counsel for the Company:

Q. In respect of this transfer on the fifteen-year and ten-year business to the five-year plan, did you consider that to be an advantageous arrangement for the company or not?—A. If carried out properly, I did.

Q. What would you suggest as a proper method? Did you make any suggestions?—A. For carrying it out?

Q. Yes?—A. No, not as to the actuarial part of it, or getting up the rates or tables. I made no suggestions; that was all left to our actuary. Tables were produced and a plan produced and adopted.

Q. When did they first commence to transfer that business?—A. Not to a very great extent until Mr. Moss's contract, but I think some transfers were done in the year previously, if I remember right. I am not certain of that. The bulk of it was done under Mr. Moss's contract.

Q. I should like you to look at a copy of a letter now shown you—was that written by you?—A. I know I wrote a letter, but whether this is an exact copy of it or not I cannot say. I wrote a letter upon that subject, but I do not know if this is a true copy.

Mr. COSTER.—We want the original of this letter.

The CHAIRMAN.—It is the opinion of the Committee that the original of this letter should be produced.

Mr. PRINGLE.—I will produce and file the original before two o'clock to-day.

By Mr. Pringle, Counsel for the Company:

Q. Is this a passage from the letter which I now produce, dated July 29, 1896, and addressed by you as second vice-president, to Mr. F. A. Burnham, president of the company:—

'Moss is very much disturbed just now with the decision from the legal department, in reference to the transfer of the old business to the new five-year combination option plan. Many, if not all, of the transfers he has made he has been writing

upon new applications, and new examinations, and has given his agents to understand that instead of charging the first payment of \$8 per thousand the amount paid by the applicants on the last call should be applied in lieu of the first payment of \$8 per thousand, and handed over to him by the association. Your brother has written you fully on this subject, and I quite understand that there is much force in the points raised by him, and that we might be subject to criticism in the future for doing this, but the immense profit and advantage to the association in the future by transferring these policy-holders to the five-year plan, and in most cases getting the entire year's premium in advance at their present or attained age, should offset the objections to returning to Mr. Moss, from the mortuary fund, the amounts paid by these applications upon the last call. In the few cases to which my attention was called, it makes a difference after the first year of several hundred dollars in favour of the association, besides getting rid of some of the old bonds, amounting to quite a sum of money. Moss, in some way, was encouraged to treat the business in this way, and so arranged with his agents, and the objection coming up just now has rather disconcerted him, and he states, that he has already given notice to the parties transferred, that the programme cannot be carried out. If the matter cannot be done in the manner he proposed, I think it would be better to take from some other fund the amount of these mortuary calls paid in, and hand it over to Moss, so that he can pay his agents the transfers, and allow the amount which has gone into the mortuary fund to remain as it now stands. As, however, your brother has written you fully on the subject, we will, of course, be guided by your decision in the matter?—A. I sent that letter. It is quite reasonable. It is a matter left entirely to the president.

Q. So that you saw distinct advantages in the transfer of this business to the five-year plan?—A. I did, if properly carried out.

Q. And the company, as a matter of fact, did reap large advantages?—A. I do not think they did from the way it was carried out.

Q. As a matter of fact, was there not an enhanced income to the company by reason of this transfer of some \$200,000?—A. Not in a way, a very small amount of enhanced income from the way it was carried out. That is, take the actual amount that came into the company, and if you deduct from that all the amounts advanced to the agents, and then turn the balance into the expense fund, I do not think the result of that was an advantage to the company. Then, when you consider the lapses on top of that business—

Q. Did you ever make up the results of these transfers?—A. It was not my business to make them up.

Q. As a matter of fact you never did make up the results?—A. I did not myself, personally. The insurance department did up to a certain time.

Q. So that we may take it that what you have just stated is your judgment only?—A. Just for what it is worth. You must remember that was in 1896, not under the 1897 contract.

Q. When did President Harper die?—A. He died, if I remember right, in July, 1895.

Q. And there seems to have been some indecent hurry in electing another president?—A. I do not say indecent. I gave the facts, call it indecent or otherwise as you please.

Q. Was it not a desirable thing to have a president elected forthwith?—A. Within a reasonable time, certainly. There was nothing suffering for an hour or two, or a day. In other words, there was no necessity for electing a president within an hour.

By the Hon. Mr. McSweeney :

Q. You did not object?—A. No, it was a matter of opinion.

By Mr. Pringle, Counsel for the Company :

Q. Did you not take part in this speedy election?—A. Certainly, I was one of the directors.

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Q. It was not, then, a matter that should have been commented upon in your testimony?—A. I was asked about it. I did not comment upon it, whatever.

Q. I understand there was a criticism on this side?—A. No.

Q. President Burnham was elected, as is usual, by the votes of the directors?—A. He was.

Q. At the next annual general meeting President Burnham was again elected president?—A. He was at the annual meeting.

Q. And elected a director?—A. Elected by the directors after the annual meeting.

Q. He was elected a director at the annual meeting?—A. I suppose so. I think probably that was the case. I do not remember whether he was or was not, but I take it for granted that he was.

Q. At that annual general meeting, what proxies were used to elect President Burnham?—A. I remember President Burnham was standing with Mr. Lawrence, the special counsel, and I remember Mr. Burnham coming forward and hesitating whether he would vote the proxies or not, and he asked Mr. Lawrence the question whether he would vote the proxies. Mr. Lawrence replied, 'Yes, you had better vote them,' and they were voted, how many of them I do not remember.

Q. What proxies were those?—A. I cannot remember—proxies of policy-holders.

Q. Were they the proxies which have been referred to as being left to Mr. Burnham by President Harper?—A. I would not swear to that.

Q. Do you know as a matter of fact that they were not?—A. I do not know. My impression is—mind you simply my impression—that there were some of the proxies voted that were left by Mr. Harper to Mr. Burnham, but I cannot assuredly say that such was the fact.

Q. Do you know as a matter of fact, that new proxies were sent up?—A. I do not.

By the Hon. Mr. Béique:

Q. Was there a strong vote against the incoming directors?—A. No, not against the directors. It was carried, I think, almost unanimously by the meeting. There never is any trouble.

Q. The proxy votes would not affect it?—A. But still they count. When the vote was unanimous they voted the proxies besides.

By Mr. Coster, K.C., Counsel for the Committee:

Q. It did not do any harm?—A. No, it did not do any harm or any good. It was only showing the large vote.

By Mr. Pringle, Counsel for the Company:

Q. On your return from England, which I believe was made in 1898, or thereabouts, you had an interview with President Burnham, when he showed you what you speak of as a spurious contract?—A. Not at that time.

Q. About when was that?—A. I do not know, it must have been in July or August. I am not quite certain which, but it was a considerable time after my return. It might have been in June, I cannot remember the month, but it was subsequent to my first interview with Mr. Burnham.

Q. You also had a discussion, you say, with Mr. Burnham, when you inquired as to the delay in getting Inspector Payne's report issued. When would that interview have taken place?—A. That was in the fore part of May, after my return very shortly.

Q. And you stated that you were told that \$40,000 was paid for a manuscript report?—A. I was.

Q. To whom was that paid?—A. That is a question for someone else. He said he had to pay \$40,000 for that report to Mr. Payne. I do not know whether he paid it or not. He said he had to pay \$40,000 to Mr. Payne for that report.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Did he say he had paid it to Mr. Payne?—A. Yes, that is my recollection. It might possibly be that he paid it to the Insurance Department, he said, but I am under the impression he said he paid it to Mr. Payne.

By Mr. Pringle, Counsel for the Company :

Q. Who made that report?—A. It came from the department; I do not remember who signed it. Probably Mr. Vanderpoel signed it, but it came from the department.

Q. Upon being told that by President Burnham, did you speak to any of the company's officers?—A. About that?

Q. Yes?—A. Yes, I did.

Q. Which of the officers did you speak to?—A. I spoke to Mr. Vrooman, talked with him about it. I talked with General James about it, told him all the circumstances.

Q. They were at that time officers of the company?—A. They were. General James was vice-president, Mr. Vrooman was treasurer, Mr. Hoffecker was auditor.

Q. Was the matter dealt with in the executive?—A. Not at all.

Q. Just private conversations you had with these people?—A. Certainly. It never was brought up before the executive.

Q. Neither of these gentlemen is with the company now?—A. No, they resigned afterwards.

Q. It was after the discovery of this bribery, or confession of it that without a scrap of paper to show it, you gave the briber \$5,575 in bills?—A. I did, but not for that purpose, because it was a loan. I stated in my evidence that he said he had paid \$40,000, and it was to help him out of a hole he was in financially.

Q. You subsequently sued him for it?—A. I did.

Q. And the matter was settled out of court?—A. Yes, and all the costs were paid by him.

Q. J. S. Hoffecker was the solicitor for yourself and his brother, Mr. Hoffecker, an officer of the company?—A. No, he was not my solicitor at all. J. H. Hoffecker, a brother of the auditor, brought the proceedings himself on behalf of the policy-holders, I suppose, but I did not engage him, and he was not my solicitor.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You were not one of the policy-holders he was acting for?—A. No.

By Mr. Pringle, Counsel for the Company :

Q. I understood you to say last night that you were in consultation with General Tracy?—A. I was. I was brought there by Mr. Hoffecker to General Tracy.

Q. What was the interview between you and General Tracy?—A. He inquired into the circumstances of the alleged irregularities and fraud, and everything in that connection.

Q. What did you tell him?—A. I gave him what information I had about it.

Q. And subsequently this matter, you say, was settled by the payment of \$15,000?—A. I did not say it in that way. It was settled, withdrawn, further proceedings stopped, and the company paid \$15,000 thereafter, or about the same time.

Q. Did you not in your official position agree to this settlement and sign the necessary papers in respect of it?—A. No.

Q. You were not present when the settlement was agreed upon?—A. I was not.

Q. When you gave General Tracy these details of corruption were you not an officer of this company?—A. I was.

Q. Did you tell the executive committee that you were on one hand telling things to General Tracy?—A. I told Mr. Burnham what was going on and my interviews with General Tracy and what was being done.

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Q. You did not however, inform the executive, your brother officers, it was only individually?—A. Everybody knew about it and talked about it.

Q. You were not present when the settlement was made?—A. I was not.

Q. You never brought the matter before the board in your official capacity?—A. No.

Q. I notice you speak of Mr. McDonald as being Mr. Hoffecker's representative?—A. Yes.

Q. How do you know that?—A. I know it from Mr. McDonald and Mr. Hoffecker being at my house—know it from that fact that they were together and Mr. Hoffecker and Mr. McDonald discussing the affairs of the association, and Mr. McDonald going with Mr. Hoffecker, and Mr. Hoffecker told me of it himself, and I saw him with Mr. Hoffecker. He came and called upon me.

Q. When was it that Mr. McDonald and Mr. Hoffecker were present at your house?—A. It was some time after the settlement.

Q. How long afterwards?—A. I could not say exactly, some time in the summer of 1899.

Q. That was the first time you learned that Mr. McDonald was Mr. Hoffecker's representative?—A. That was the first time I understood that Mr. McDonald was Mr. Hoffecker's representative. I did not know anything about him or who he was.

Q. You knew nothing then of this settlement of either official or subsequently learned of it from other members of the board?—A. I did not until I got the details from the Superintendent's department.

Q. This \$15,000 was legal fees and paid as such?—A. I suppose they were; I do not know.

Q. You never got any of it?—A. I never got any of it. I may say this: I knew of a settlement, that a settlement was made when the petition was dropped, but I did not know the details of that settlement. I knew a settlement had been effected because the petition was dropped.

By Hon. Mr. Béique :

Q. When was the settlement?—A. The agreement for settlement dropping the petition was in 1898, some time in November or December.

Q. When had the proceedings been prepared?—A. Prior to that time.

Q. How long prior?—A. Not long. We had a number of interviews with General Tracy and his partner, Mr. Boardman, and they also appeared at the office consulting about it with Mr. Burnham. Mr. Boardman was there I do not know how many times, but a couple or three times, and it was discussed then with Mr. Burnham and Mr. Boardman. Mr. Tracy never came to the office, but Mr. Boardman, his partner, came to the office and discussed the proceedings with the president and myself. I was called in.

Q. You had instigated the proceedings because you wanted Mr. Burnham to be removed?—A. Decidedly. I did not instigate the proceedings, but I was favourable to them.

Q. You helped?—A. I helped.

Q. You gave information?—A. Certainly I did.

By Mr. Pringle, Counsel for the Company :

Q. When President Burnham was to resign, who had been decided upon as his successor?—A. There were two or three names proposed. General James was the party I and others were in favour of. After discussing whether he would accept him or not, he decided that name would be satisfactory to him.

Q. Who else discussed the successor to Mr. Burnham with you?—A. There was of course Mr. Hoffecker, General Tracy and I discussed it with him, and I discussed it also with different officers of the association.

Q. Which ones?—A. I cannot particularize which ones.

Q. But it was a general movement in the office that Mr. Burnham's successor should be discussed and arranged for?—A. I will not say that it was a general movement. I say different officers knew that this effort was being made and it was talked about amongst each other.

Q. Was any name suggested as vice-president?—A. No, there was not I think at that time—Oh, yes.

Q. The name of J. Douglas Wells was not?—A. Yes, the name of James D. Wells was mentioned to Mr. Burnham, and in Mr. Hoffecker's letter to Mr. Burnham, I think he mentioned my name.

Q. Will you give me the names of the gentlemen you discussed with the officer to succeed Mr. Burnham. I want those names in detail?—A. I cannot give you particular names. I talked the matter over with Mr. Vrooman even after he left, because this matter as to who should be president came up after Mr. Vrooman's resignation. General James was cabled to about it by General Tracy.

Q. Did you go outside of the office in your canvass?—A. In my canvass for what?

Q. In canvassing the matter of a successor to Mr. Burnham, who, you say, had promised to resign?—A. Oh, no.

Q. Then you had no policy-holders to support the James and Wells nominee?—A. Why, it was not brought before any of the policy-holders as to who the successor would be.

Q. It was purely a matter of arrangement between, as I can make it out, yourself and General James and officers of the company and Mr. Vrooman, who had resigned.—A. There was no arrangement. His name was proposed as a gentleman that would do a great deal towards resuscitating the company. A man of General James' name would do a great deal, and his name was simply discussed.

Q. When did you lose your confidence in President Burnham?—A. I cannot tell you the exact date. It was some time after I returned from England.

Q. How long had you been associated with Mr. Burnham prior to that time?—A. He was the counsel of the company and connected with the company when I went to New York as an officer of the company. That was in 1890.

Q. So you had been with him a number of years before you lost confidence in him?—A. Why, certainly I never had any occasion in my interviews with him or anything else. I had unlimited confidence in him until the time I came back and when I found out these things I thought it my duty to take action.

Q. When did your term of office as vice-president expire?—A. Well, it would expire, I suppose, at the annual meeting. The different officers are all elected by the board of directors after the annual meeting.

Q. How long had you been elected for, when you were elected vice-president?—A. I cannot tell you whether it was one or two years. I cannot now define exactly the time that the officers are elected for.

Q. You will not deny then that it was four years you were vice-president?—A. I will not deny it.

Q. As a matter of fact it was four years?—A. Probably it was four years as director. You asked the question how long I was elected vice-president.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Is not a vice-president elected every year?—A. Yes, but not the directors. A certain number go but every year.

By the Hon. Mr. Béique:

Q. I should like to know why you first suggested signing a petition for the removal of Mr. Burnham?—A. The petition will explain itself. I did not draw it up.

Q. I am not speaking of the petition itself. The petition was the work of several parties, but I am asking you personally what reason you yourself had for suggesting

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his removal at the time?—A. I cannot tell the first reason, there were so many of them. Probably the first reason was—

Q. You cannot remember?—A. I cannot remember the reason I first signed.

Q. What reasons can you recall?—A. I related the circumstances of this altered contract; that was one particular. It is possible that was the first. Then I related the circumstances of these large amounts being detained by Mr. Moss—credits to Mr. Moss, the wrongful credits of these amounts that he had advanced his agents. That was another. I do not know how many others—several of them—I have referred to them.

Q. These are the main ones?—A. Yes. There would be others, and also paying Mr. Moss deferred commissions upon business secured under his 1897 contract, which were annulled and reverted to the company under his 1898 contract—paying him the commissions on deferred premiums.

Q. And I suppose paying \$7,000?—A. That English draft, yes.

By the Hon. Mr. McSweeney:

Q. You do not know whether Moss got all of that \$240,000 that Mr. Moss owed the company at the time he left. Did any one else get a share?—A. I know nothing about that. I know if the account had been properly made up he would have owed the company about that.

Q. Owed \$240,000?—A. Yes.

By the Chairman:

Q. You gave evidence last night on that point, payment of deferred commissions to Moss?—A. That was one of the reasons I placed before General Tracy.

By Mr. Pringle, Counsel for the Company:

Q. You have a distinct recollection perhaps of the contract?—A. Which contract?

Q. Under which this \$7,000 was paid?—A. Well, I am not as familiar with that as I am with the other, but we had better get the contract. I have a certified copy from the department and that will explain for itself. I produce certified contracts of copies Nos. 2 and 3.

By the Hon. Mr. Wood:

Q. When was that \$40,000 paid for that report?—A. Mr. Burnham said he had paid it, but I do not know at what date. It was in May it must have been, between the 1st and 7th of May.

Q. Was that before you signed that petition?—A. Yes, long before. I do not remember whether it was in the petition or not, but I certainly explained all the circumstances connected with that interview and the payment of the \$40,000, to General Tracy.

Q. Was it one of the reasons you assigned in your petition?—A. I think so. I am not positive. Whether he put it in or not I cannot remember.

By Mr. Pringle, Counsel for the Company:

Q. Was it one of the charges that you laid and swore to in your information to the Insurance Department?—A. I made an affidavit of all the circumstances at the request of Mr. Hunter, the Deputy Superintendent of Insurance, who asked me to make the affidavit in New York, and in that affidavit I related all the circumstances of that interview and of Mr. Burnham's statement regarding the payment of that \$40,000, and that was filed with Mr. Hunter, the Deputy Superintendent of Insurance in New York.

By the Chairman:

Q. What became of that document?—A. I do not know. I left it with him. It is probably on the records there.

Mr. PRINGLE.—I should like to have that document produced.

WITNESS.—I asked for it, and Mr. Hunter said it had been sent with all the papers to Albany, but he remembered it distinctly and said he had sent it there.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Have you a copy?—A. No.

Mr. PRINGLE.—In the absence of the document this part of the evidence should be struck out. This is an official document and a certified copy of it could be produced.

By Mr. Pringle, Counsel for the Company:

Q. I understand that document is at Albany and can be procured?—A. I do not know whether it is at Albany or not or in Mr. Burnham's possession. I have very grave suspicion where it is.

Q. There was a subsequent petition put in before the Attorney General?—A. There was.

Q. Who were connected with that?—A. I cannot tell you all the names. I know Mr. Stevenson's name was on. I think there were altogether five policy-holders had signed that petition. I forget the names exactly. It speaks for itself. It is a matter of record.

Q. You referred to an interview with President Burnham, where, when you said you were about to resign, he asked you to take a trip and that your salary would continue?—A. I did not. I said Mr. Frank Lawrence, his counsel.

Q. In Mr. Burnham's office and in his presence?—A. No, Mr. Burnham stepped into the adjoining room and sent for Mr. Lawrence with a view to prevailing on me to give him that letter that I was satisfied with his management.

Q. So it was to Mr. Lawrence you said, 'I will not take your trip, I will resign, and I do not want any money I have never earned'?—A. That was not all the conversation we had. I declined his offer. I said no, I would not accept his offer.

Q. I took your exact words last night, and you said, 'I do not want any money I never earned'.—A. I do not think I made that statement. If I did let it stand, but practically I said so to Mr. Lawrence. I know I expressed myself very strongly about it to Mr. Lawrence.

Q. That was in January?—A. The 25th January, 1899, the day of the annual meeting.

Q. And when did you present your memorandum asking for some thousands of dollars from this company?—A. My memorandum does not ask for thousands of dollars. I presented a memorandum to Mr. Lawrence at his request. He wanted to know about the amounts I had expended in behalf of the company. He asked me for it, and I gave it to him at his request.

Q. And you asked for a year's salary?—A. I did not. I did not ask for any amount, but he proposed to place me upon the salary list and extend my salary as long as I desired. That was his proposition.

Q. You are acquainted with the practice of investigation by the Insurance Department of New York State in matters that come before them?—A. In a general way I am. It is not a matter I ever was associated with then in making examinations. I cannot give details, but I know in a general way how they proceed.

Q. When charges such as you and Mr. Stevenson laid before them are made, it is the custom to have the statements of either party upon affidavit, is it not?—A. I do not think it was the custom; I have never heard anything of the kind before. At the superintendent's request, I put into the form of an affidavit my statements, my charges.

Q. And the company did the same thing?—A. I hear now they did. I never heard of or saw this book before.

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Q. But, as a matter of fact, was it not the practice of the department to examine into matters of the kind on affidavit?—A. I do not know.

Q. But you do not know that it is not?—A. I do not.

Q. How often did you take this matter up with Mr. Payne after you put in that statement?—A. I saw him quite a number of times before he went to Paris. I saw him before the examination was commenced, and also after the examination was commenced at the deputy superintendent's office in New York. He introduced me to the deputy superintendent before he left for Paris, and he said to him, 'I want Mr. Wells to have access to this office and any information he requires, I want you to give it to him'.

Q. You have said that none of the charges made were examined into?—A. I did not say that. I say Mr. Payne in his report says that the charges were not examined into.

Q. Did not Mr. Payne have this Moss contract? Have you not sworn that Mr. Payne had a copy of that Moss contract?—A. Certainly, he got that from the company and showed it to me—at least he did not, but his assistant, Mr. Appleton, did. I saw it in his hands.

Q. I take it, you judge, because no comments were made on this, that no examination was made?—A. No, I supposed it would be examined into. I took his report, which speaks for itself in regard to that subject.

Q. You are not then, alluding to the fact that because you were not personally and orally examined, that these charges were not gone into?—A. I am not complaining of the report. I think the report substantiates my charge fully.

By the Hon. Mr. Béique:

Q. What report?—A. The superintendent's.

Q. Was it to Mr. Payne that the \$40,000 was paid?—A. That is what Mr. Burnham said to me. I did not say that I believed he had got it.

Q. Is he still the Superintendent of Insurance?—A. No, Mr. Hendricks is now.

Q. You say that you did not state that you believed he got it?—A. I have very grave doubts about that now. I do not think he did get it, from subsequent interviews with Mr. Payne about it and more knowledge of Mr. Burnham's character; I do not believe that Mr. Payne got the whole of that, or any part of it. Some of it may have gone to some of his subs, but I do not think the amount of it went to Mr. Payne direct. That is my impression.

By the Chairman:

Q. You are speaking from the character of the man?—A. Certainly.

By the Hon. Mr. Béique:

Q. When you swore to that charge which you made, in which this was one of the allegations, Mr. Payne was still the superintendent, was he not?—A. Yes, that is an entirely separate affidavit, referring to nothing else but that interview with Mr. Burnham, and that charge in reference to the payment of money.

Q. He was interested in making that clear? It was a very serious charge against him?—A. Certainly, and his deputy, Mr. Hunter, asked me to put it in the form of an affidavit.

Q. And do you know what inquiry was made on that?—A. I do not.

By Mr. Pringle, Counsel for the Company:

Q. I see you were sent a notice to appear before this Committee; can I see that notice?—A. I have it at the hotel. I will bring it.

Q. When did you get that?—A. I think, about the 3rd.

Q. An official notice from the clerk?—A. Yes, it was about the 3rd of the month, if I remember the date, but I will produce the notice, if you want it.

Q. And that was the first news you had of this investigation?—A. Oh, no.

Q. What was the first news you had of it?—A. The first news was reading in the Insurance press and also the Senate proceedings, which I received.

Q. From whom did you receive those?—A. I think Senator Domville sent me some of them, and I also had read about it, before I got the Senate proceedings, in the Insurance press of New York. Most of the papers made reference to these proceedings.

Q. Were you here a year ago during the session?—A. I was.

Q. Was there anything pending at that time in reference to this?—A. If I remember right, Senator Domville moved for papers, but I was not present in the Senate at the time. It was simply for information, if I remember right, reading it in the papers.

Q. Take up that Moss draft; will you let me know what Mr. Moss's trip to England was taken for at that time?—A. I cannot tell what went on between him and Mr. Burnham. My idea first in having Mr. Moss go over there was to help Mr. Thorne, who was a particular friend of his, and who was made manager of the London department through Mr. Moss. My idea was that Mr. Moss being such a thorough worker, it would be a good idea for him to go over to London and connect himself with Mr. Thorne for a time so as to get the business organized, and results from the business. Mr. Thorne had been there some time, and very little had been done.

Q. Then any statement to the effect that in the memorandum filed by you and called Exhibit B, that would be filed with the Department of Insurance, state of New York, to this effect, is incorrect:—

'Mr. Moss's trip to England was entirely upon his own special business and had no connection with the association in any particular'.—A. That is correct, because Mr. Moss was not there over a couple of weeks, I think, in England, altogether, and what was done was altogether in regard to his own personal matters. He did not take hold of the business or the agent. My object in his going there was to benefit the business, to instruct Mr. Thorne, but that was not the result of his trip.

Q. 'Notwithstanding the fact that the president knew the fact that Mr. Moss was going to England on his own personal business, the company paid the expenses of Mr. Moss's trip to Europe and return'?—A. As I understand, the company did that. I did not learn that until long afterwards.

Q. The president knew?—A. Mr. Moss said he would not go—I was urging him to go—until the president cabled him to come.

Q. Cabled Mr. Moss to go to England on his own personal business?—A. No, that was not mentioned in the cable.

Q. But what was the idea, that he was to go on his own personal business?—A. No, I do not know what the arrangement was between Mr. Burnham and Mr. Moss, but the result was he went only for his own personal business.

Q. But you say here that the president knew that he was going on his own personal business?—A. Certainly, and I will tell you how I know that. Mr. Burnham, after he reached London, there was a matter which came up in regard to Mr. Moss's affairs. Some parties that were pressing Mr. Moss for money and were threatening action against him, Mr. Burnham had that in hand, the settlement of it, and he did cable Mr. Moss, knowing those facts, to go over to England. I do not think he mentioned in his cable but to come, but he knew of those facts because he was interested in getting them disposed of before Mr. Moss came over.

Q. But he did not go to England on the company's business?—A. It was my intention that he should go, but evidently the result of his going, or what he did go for, was different from my intention.

By the Hon. Mr. Béique :

Q. You were in England at the time?—A. No. I did not go to England. This was in 1896.

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Q. Anyway, it was on your suggestion that Mr. Moss was asked to go to England?
—A. I do not know that it was on my suggestion, but I urged that he should go.

Q. You expected that it would be in the interest of the company?—A. Certainly.

Q. And your expectations were not realized?—A. Not realized.

Q. But instead of doing what you expected he would do, you understood that he spent his time on his own business?—A. Which he did.

Q. You were in England at the time?—A. No.

Q. What means had you of knowing?—A. There was no result of his work. He was not there long enough to benefit the association.

Q. How long was he?—A. I should say about two weeks, actually in London at the London office. It would take a week or ten days to go over, and a week to come back.

Q. I suppose if good results had been derived from his trip you would not have objected to the payment of the \$7,000?—A. It would depend upon what the services were worth.

Q. When he was asked to go, was there any agreement made with him as to the amount?—A. None whatever.

Q. It was a matter to be settled afterwards?—A. To be settled afterwards, I suppose.

Q. And you thought that from the result that \$7,000 exceeded what he was entitled to?—A. I know it was.

By the Hon. Mr. McSweeney:

Q. Is there any business being done in England now?—Yes, but not the result of Mr. Moss going there. We had an office there before Mr. Moss went. What business is being done there now, I do not know.

By the Hon. Mr. Wilson:

Q. In reference to the \$7,000, you considered that was an exorbitant amount to pay a man who was over there, not upon the company's business?—A. Even if he was on the company's business, it would have been an exorbitant amount to pay him, even if his whole time had been devoted to the company's business.

Q. And you think it was an unreasonable thing to make such a demand for going there after being authorized by the company to go?—A. I think so. He did not make that demand for himself, but returned it to Mr. Burnham. I never saw anything from Mr. Moss for the London business; it never came before me.

Q. Have you any idea why Mr. Burnham gave him that amount. Have you any knowledge why he did so?—A. Except Mr. Moss taking such a prominent interest in the New York business that he probably thought it better not to have the stigma on him which would be apt to injure him afterwards.

By the Chairman:

Q. That is, to pay the claims on Mr. Moss while he was in England?—A. Yes, some old matters that came up.

By the Hon. Mr. Wilson:

Q. That virtually would have nothing to do with the transactions in New York; the amount they paid him while in London would not affect the New York business?—A. No, but it would affect him personally, as manager of the New York business. Anything that affected his standing, naturally, he taking such a prominent part, would be an injury to the association.

Q. Then, you want this Committee to understand that it was a personal matter of Mr. Burnham's to give this amount of the company's funds so as to ingratiate himself and the company with the manager of the New York business?—A. No, I do not put it in that way.

By the Chairman:

Q. As I understand it, Mr. Moss went over to London at the demand of Mr. Burnham. When Mr. Moss got there, creditors of Mr. Moss pressed him for payment. Mr. Moss not having the money, Mr. Burnham advanced the \$7,000 to him?—A. Yes.

Q. When did you become acquainted with Mr. Moss for the first time?—A. Mr. Burnham introduced me to him the latter part of 1895 or 1896—when he first joined the association.

By the Hon. Mr. Wilson:

Q. I am not quite satisfied as to why the \$7,000 had been paid by Mr. Burnham to Mr. Moss for services supposed to be rendered while Mr. Moss was in London?—A. It was paid to Mr. Moss to enable him to settle up this difficulty in which he was while in London. It was paid to him to assist him, in order to pay up some matter of debt or whatever it was—I have never learned the exact particulars, but that was the object for which the money was paid at that time to Mr. Moss, to enable him to compromise whatever this trouble was.

Q. There were no debts incurred while he was over the last time—there were no heavy debts, anything like \$7,000?—A. No, this was some old matter of his before he joined the association.

By the Hon. Mr. McMullen:

Q. Is Mr. Moss related to any members of the association?—A. I think not.

Q. Did he come to Mr. Burnham merely as a stranger? Had he letters of introduction?—A. Mr. Burnham, as I understood and he told me, had met him in London, when he, Mr. Burnham, and Mr. Harper were over there on a prior visit, and while there, they met Mr. Moss—at least that is what I was informed by Mr. Burnham—whether it is true or not, I cannot say, but that is what Mr. Burnham told me when introducing him to me, and what a magnificent man he was.

By Mr. Pringle, Counsel for the Company:

Q. You knew nothing of Mr. Moss during his career in England?—A. No.

Q. You do not know that he was an agent of the Mutual Reserve a year before he came to New York?—A. No. I learned subsequently that he did get some business, but I do not think he was a manager or agent of the company. He may have had a commission contract, as hundreds of men do who bring in business to the company. They get a certain commission. He did some business that way under the manager at London.

Q. When?—A. That I have learned since. I did not know it at the time.

Q. So it is admitted that he was in the employ of the company prior to his coming to New York?—A. I say it is possible. I do not know the details of it. It is something that never came under my observation, because I never knew him or who he was. Before I went to London I had nothing to do with the employing department. It did not come under my jurisdiction.

Q. Referring to this letter of July 29, 1896, to F. A. Burnham, and signed J. D. Wells, I should like to read some references in respect to Mr. Moss's trip to England:

'I wrote you fully, giving my ideas with reference to Moss going to London. Of course, Moss was willing to go, but he did not like the manner in which he was requested to go, so I cabled you to cable him direct, that it was your desire that he should proceed to London without delay. Thorne, no doubt, is doing everything in his power to establish the agency, but you and I understand very well that he is new and unacquainted with our plans and system, as well as the true standing of the association. I think, much as I have hesitated about Moss leaving here, that no time should be lost in getting him to England. I gave him my reasons fully as to the importance of having the London agency meet with prompt and immediate success, but

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of course leave the matter entirely in your hands. Moss is meeting with every success here. His business for the month of July will exceed \$800,000, and it seems a great pity to allow anything to occur that will interfere with the success of the metropolitan agency, but I appreciate so thoroughly the importance of having him in London now, instead of later, that I do not hesitate to advise you to have him go to London without further ceremony or delay; but this he will only do upon your direct request. You know he is a very sensitive fellow in some respects, and does not want the idea entertained that he is at all unfit to go.'

I take it from that, you were clearly under the impression that Mr. Moss was going to London on the company's business—A. I certainly was under that impression.

Q. And you also say that the president knew that Mr. Moss was going to Europe on his own personal business?—A. That I found out subsequently. At that time I knew nothing about his troubles there.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Were not there extradition proceedings, or something?—A. I was informed subsequently by Mr. George Burnham, counsel for the company—my impression was that he would do the London business good, but I have since ascertained there was private correspondence between Mr. Burnham and Mr. Moss.

By the Hon. Mr. Béique:

Q. You believed at the time he was doing good work in New York?—A. Yes.

By the Hon. Mr. Wilson:

Q. And that entitled him to \$7,000?—A. No, his salary was going on and I was attending to his work in his absence, and the business instead of decreasing was increasing.

By Mr. Pringle, Counsel for the Company:

Q. In reference to certain claims of Mr. Halsey, as I understand it, Mr. Halsey had two contracts with the Mutual Reserve?—A. I do not understand that—that is not at that time—that he had a contract working under Mr. Moss. He had not two contracts. I never made a contract with him at that time.

Q. What would a contract under Mr. Moss be termed? Would it be a metropolitan contract?—A. Mr. Moss at that time was general manager of the Metropolitan Department and the contract under which Mr. Halsey was working was subject to that. He was simply an agent of Mr. Moss.

Q. You do not know anything then with respect to the contract at Baltimore, Maryland?—A. I do not remember. That may have been a subsequent contract, I forget. He probably was sent there after Mr. Moss made the new contract. I remember hearing of his being there, but I never saw a contract Mr. Moss made with him as to going to Baltimore or anywhere else.

Q. You testified that Mr. Halsey had been advanced \$8,000 by the company, and that Mr. Halsey owes the company \$3,000, or something to that effect; tell me what you know of that to your own knowledge?—A. All I know is that Mr. Halsey claimed credit for commissions that he earned while working under Mr. Moss in the metropolitan district, or where Mr. Moss sent him.

Q. How much did that amount to?—A. If I remember rightly, \$3,000. Those commissions had been paid to Mr. Moss. That is all Mr. Moss was entitled to under his contract, and he failed to settle with Mr. Halsey.

Q. Do you know this of your own knowledge?—A. I do, because I saw the accounts.

Q. Now, in respect of this \$8,000 you were dealing with and the \$3,000, you saw both those accounts in detail, two absolutely?—A. There were not two accounts, there

was only one account, showing his indebtedness \$8,000, and he was given credit for \$3,000, reducing that indebtedness to \$5,000. That is what I testified to.

Q. So that the statement that there were really in effect two contracts, one at Baltimore under which Mr. Hasley owed \$8,000 to the company, and this metropolitan contract under which the company owed him \$3,000, you could not contradict of your own knowledge?—A. I think the \$8,000 was the entire balance that Mr. Halsey owed, as I understand it, and whether that accumulated under one contract or the other, or whether there are two, I cannot remember—I do not know.

Q. You could not give us the evidence I am anxious to get, namely, that there were two contracts?—A. That I do not know.

Q. Was it in respect of this Halsey contract that Mr. Hoffecker had his trouble with the company?—A. No, that was one of the things that he complained of, and that caused his first letter to be written the president. He refers to irregularities in that letter.

Q. Have you any knowledge as to what occurred after that matter was taken up by the president?—A. What do you mean?

Q. What did Mr. Hoffecker do?—A. Mr. Hoffecker resigned the day his letter was put in. He resigned that day and left, and that letter was brought before the executive committee by Mr. Burnham, at which Mr. Eldridge and somebody else and myself were present.

Q. What was done with that resignation?—A. I do not know what became of it. It is there in the hands of the company no doubt.

Q. How was it dealt with by the executive?—A. They simply passed a resolution, if I remember rightly, after reading that and discussing Mr. Hoffecker, dismissing him instead of accepting his resignation.

Q. Do you know why that radical measure was adopted?—A. Owing to his strong letter, nothing else. Mr. Burnham was very much exasperated on receiving that letter, and expressed his anger, and it was owing entirely to the contents of that letter that the dismissal was made—if it was made, I think it was—was brought about by that resolution in the executive committee.

Q. You were present and concurred in the dismissal?—A. Certainly.

Q. You were not surprised at Mr. Burnham's anger, I suppose?—A. I think anyone would be angry on getting a letter of that kind.

Q. Was there no demand for an increase of salary?—A. None whatever.

Q. You have a very distinct recollection of all that occurred at that meeting?—A. As distinctly as a man can remember anything that occurred several years ago.

Q. But you still feel sure that you could contradict any statement that an increase in salary had been demanded?—A. I never knew of any increase—never heard of it.

Q. Not an increase, a demand for an increase?—A. A demand for an increase. None ever came before me personally. I know I tried with Mr. Burnham for other employees. I remember speaking to the president himself, and I think Mr. Hoffecker was one of them, that their salary was not sufficient to remunerate them for the services they were rendering the company. Those matters would sometimes come up before me, and I would talk to the president about it, and in some cases the increases were given, and in other cases they were not, and it is possible that Mr. Hoffecker's name came up during one of those conversations, but there was not what you call demand.

Q. You are thoroughly acquainted with the by-laws of the association?—A. No. I cannot say that I am thoroughly acquainted with them without looking at them. I used to know more about them than I do. I could not cite them or give you the contents of the by-law or constitution.

Q. In speaking to Mr. Eldridge you made the statement that he was on more than one pay-roll?—A. Certainly, he admitted that the other day.

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Q. That was quite right ?—A. Yes, no objection to his salary being divided, providing it was not too large a salary.

Q. As a matter of fact was it not necessary that he should be on two pay-rolls ?—A. Not for an amount over and above the \$10,000 or \$200 a week which I always understood was his salary, and which I was given to understand by the president was his salary, the two amounts might have been divided and put upon different pay-rolls.

Q. What were the two pay-rolls Mr. Eldridge was on ?—A. Well the pay-roll, as Mr. Eldridge testified to—

Q. You testified to one on dues, and one on mortuary ?—A. Yes, I think that was it, if I remember right. I am not quite certain, but I think there was a pay-roll in which some certain things were charged to mortuary, the certain parts that were on the mortuary business alone, they probably were charged to mortuary, and those on the general business of the company were charged to dues.

By the Hon. Mr. Béique :

Q. When did Mr. Eldridge enter the company's service ?—A. I think in 1894.

Q. What did you understand to be his salary at the time ?—A. At that time I did not know what it was. It never came to me at all, but I always understood it was about \$100 a week. It might have been more, and it might have been less, but that is what I understood it.

Q. At what time did you understand his salary to be \$250 a week ? A. That was the time after Mr. Burnham came into the presidency, after he became president, and he and I came together after Mr. Harper's death, and Mr. Burnham and I discussed the salaries, and arranged the salaries after that time—I think in 1895, or the first of 1896.

Q. And Mr. Eldridge's salary was understood to be \$250 a week ?—A. Either \$200 or \$250, I am not positive which.

Q. As arranged by yourself and the president ?—A. Yes.

Q. And you were not made aware that his salary was increased ?—A. Never.

Q. Was it discussed at that time ?—A. Yes, when we were going over the list decreasing the salaries, that one salary which I speak of, the \$200 or \$250 a week, was discussed along with the other officers.

Q. Did you ever inquire from the books of the company, at what rate he was paid ?—A. I do not know that I can answer that, but I think so, yes. Let me see how I got on to that. I cannot tell at the moment how I got it. Yes, now I remember. I was informed by the treasurer as to the exact amount he was getting.

Q. When ?—A. Mr. Vrooman.

Q. After the dismissal ?—A. No, after my return from England.

Q. When was it ?—A. 1898.

Q. What part of 1898 ?—A. June or July, I cannot remember. I was informed by Mr. Vrooman as to what remuneration Mr. Eldridge was getting.

Q. What was it ?—A. If I remember right, about \$17,500.

Q. A year ?—A. Yes.

Q. You did not ascertain it from the books of the company ?—A. No, I did not go to the books, because the salaries of the officers would not be in detail in the books. The books would show the whole amount paid for salaries, but it would not show in detail the different officers to whom it was paid.

Q. The pay-list is not a part of the books ?—A. No, they are made out on sheets.

Q. They are kept ?—A. Yes, in the hands of the paymaster.

Q. And it forms part of the books of the company ?—A. No, not at all. They are not counted books.

By the Hon. Mr. Domville :

Q. How is it charged up in the ledger ?—A. The total amount is charged up.

Q. Supposing the total salaries were \$300,000, how would they put that \$300,000 ? As a block sum ?—A. Yes.

Q. Not in detail?—A. No. The detail would be in the pay-rolls.

Q. You say the pay-rolls form no part of the books of the company?—A. Certainly not.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. As a matter of fact, are the pay-rolls not bound volumes?—A. No, they are not bound volumes at all. They may have them now bound volumes, or may have bound these, but when they were used week by week, they were made out on separate sheets.

Q. And they are no part of the records of the company?—A. I do not say that.

Q. What do you mean by saying they are no part of the books of the company?—A. The books are one thing and the sheets are another thing. The books are the book-keeping of all the transactions entered every day pro and con, and debit and credit, the regular books of the company, kept by the clerks, separate and distinct from the pay-rolls.

Q. The loose-leaf ledger would not be a book, in your estimation?—A. It just depends what it was for; but here was an account, these pay-rolls were made up each week by the paymaster, and the money paid over to him, and then he distributed that money around among the different officers and employees.

Q. How would you get at your ledger totals without referring to these other books?—A. You could get that in the cash account: that cash would state the amount therein, either for mortuaries or for dues.

Q. We are dealing with salaries?—A. That would include it. The amount drawn each week would be entered up in the cash in bulk, but not in detail.

Q. How could you get in detail the salaries?—A. You could get it from the pay-rolls.

By the Chairman:

Q. Were you ever present when the Insurance Department of New York examined into the affairs of the company? Were you ever present at an examination made by any officers of the Insurance Department of New York into the affairs of the company?—A. No. I was connected with the company when the examination was going on.

Q. Do you know if these pay-rolls were ever examined by the Insurance Department?—A. I do not. I was told they were. They probably were, but I do not know from my own knowledge.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. I notice you speak of Mr. Eldridge receiving \$250 additional to his salary, six times per year?—A. Yes.

Q. Do you know when that payment started, and when it ended?—A. I do not. I know that payments were made him before the bi-monthly audit which was made, and I understood Mr. Eldridge received \$250 for that audit; but when it actually commenced, I never knew, and when it ended, I never knew.

Q. You do not know how much was paid under that at all?—A. I do not know the total amount at all. Mr. Eldridge the other day did not recollect.

Q. You testified that it was being paid at the time that Mr. Eldridge drew \$17,500?—A. I did not testify that. I testified that it was paid him when he was drawing his regular salary, whatever that was. So it was.

Q. I have here that you testified?—A. Well, as a matter of fact, it was paid him at the time he was drawing his regular salary.

Q. What was his regular salary—the total?—A. The total, as I understood it, was—I cannot tell you the exact amount, but it was somewhere between seventeen and eighteen thousand dollars.

Q. Was it not fifteen thousand dollars?—A. No, I said on one pay-roll it was \$7,200; I forget whether it was \$200 or \$250.

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APPENDIX No. 1

Q. You said \$200 on dues, and \$100 on mortuary?—A. No, I did not say \$100 on mortuary. I said about \$150.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And then you say \$1,500 in addition for auditing?—A. That is what Mr. Eldridge explained the other day, that he got that in addition to his regular compensation. That amount never came to my knowledge until a day or two before I left New York this time, about that amount paid him for an audit. The party came to me that sent some vouchers, and asked me if I knew about it, a former controller of the company, D. R. McChesney.

By the Hon. Mr. Béique:

Q. Do I understand that, according to the practice followed by the company, the salaries of the officials were not fixed by the board or the executive committee?—A. No, they were fixed practically by Mr. Burnham, but officially by Mr. Burnham and one or two of the executive committee; that is the proper course for salaries.

Q. Was there anything in the by-laws of the association about that?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Point that out to me in the by-laws?—A. Section 2, article 3: 'The directors shall elect three of their number, who shall constitute an executive, who shall appoint such medical examiners as they deem necessary, audit death claims, and shall determine all salaries and expenses, and shall have the power to make contracts with general agents and others for the furtherance of the business of the association and for the benefit of the members.'

By the Hon. Mr. Béique:

Q. And that committee, in your time, take it from 1895 to January, 1899, was composed of the president, yourself, and who was the third one?—A. I think, if I am not mistaken, Mr. Eldridge was one of them, and I think Vrooman was, but I cannot remember exactly. There were three of them altogether. The president, I think, at that time was, ex-officio, a member of that committee, if I remember aright.

Q. Then, it was the business of yourself and the two other members to fix the salary?—A. It was, certainly.

Q. They were fixed, I suppose, by the company?—A. Not always. They were fixed often by the president without reference to the committee.

Q. You submitted to that practice. Did you remonstrate or not?—A. I do not think I remonstrated, no.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Art. 4, section 1, says: 'that the president is a member of the executive committee'?—A. Yes, ex-officio.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. At the time you went to England, you knew what Mr. Eldridge's salary was?—A. I do not think I did. I am not quite clear. It is possible I may have known, but I do not remember whether I knew exactly or not, at the time I went to England.

Q. So that you could not tell whether or not his salary had been increased during your absence, when you came back, and found it amounted to \$17,500. You would not know whether it was an increase or not?—A. When Mr. Burnham and I first settled what his salary was, I knew what that was, and that was not changed after my return from England, that salary was reduced along with the others, so that I must have known.

By the Hon. Mr. Béique:

Q. The question is as to whether you knew or not as to whether his salary was increased during your absence?—A. It might have been increased during my absence.

Q. You do not know?—A. I do not know whether it was done then or before I went away, because we fixed those salaries soon after Mr. Burnham was made president.

By the Chairman:

Q. You fixed that salary at a certain figure?—A. Yes.

Q. Say \$10,000 a year?—A. Yes.

Q. You say it is now up to \$17,500?—A. Yes.

Q. Were you consulted in regard to that increase?—A. No.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. How can you say it was not, when you were in England when the increase was made?—A. That was in 1897, and part of 1898, but you are asking when I went to England.

Q. No?—A. You are asking whether it was increased when I was absent, or not.

Q. Yes?—A. I cannot say.

By the Chairman:

Q. You were never consulted?—A. No.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. How could you be consulted when you were in England? (No answer.)

Hon. Mr. BÉIQUE.—I think we have had enough of that.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. As a matter of fact, you will not deny that you were not on the executive committee when his salary was raised?—A. I won't deny. His salary may have been raised when I was a member of the executive. I do not remember when it was raised. It was without my knowledge.

Q. Were you a member of the executive when you were in England?—A. I think not. I think I placed my resignation before I went away, in the hands of Mr. Burnham, to be used if necessary, but I am not certain.

Q. So that if the increase was made when you were in England, you would not be consulted in any way?—A. No.

Q. And you were not a member of the executive committee at the time?—A. Whether they acted on that I do not know. I think they nominated Mr. Vrooman in my stead, when I went to England, if my recollection serves me right. I won't say it was Mr. Vrooman, but that is my impression.

By the Hon. Mr. Béique:

Q. I should like you to tell us what criticisms you have to offer of the report of Mr. Payne as Superintendent of Insurance in May, 1898?—A. I do not know as I have any criticisms. I have seen the report. I never made any criticism of this.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Have you gone over it?—A. Yes, in a general way I read it.

By the Hon. Mr. Béique:

Q. You thought it was fair enough?—A. Well, I thought it was a report—I did not take much interest in it. I saw the report, but I did not criticise it.

Q. Would you think that this report shows any indication of it having been influenced?—A. No, not particularly. It was a fair, good report, as to the standing of

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the company, and speaks well of it, and does not criticise the company at all. It is a very nice report.

Q. I would ask you the same question in regard to the examiner's report, and Mr. Vanderpoel's?—A. Yes.

Q. Have you anything to say against that report of the examiner?—A. No, I think it is all right, as far as I can remember. I do not remember the details of what was said. I cannot say now.

Q. But it never occurred to you there was anything special to object to, in either of those reports?—A. No.

Re-examined by Mr. Coster, Counsel for the Committee:

Q. With reference to that changed contract, what you allege was a change in the contract, you say when Burnham first showed it to you, you said, 'Good heavens, Burnham, surely we did not execute such a contract,' or words to that effect?—A. Well, it was not possible—

Q. Well, that is what you swear to?—A. Yes.

Q. At that time you said nothing more to Burnham about the change?—A. No, not at that time.

Q. I understood you to say, in answer to somebody's question, that you never told Burnham. Did you intend to say you never told him about this change?—A. Why, no. I talked about this change, about the time when I told him criminal proceedings were about to be taken against him for it.

Q. I understood you to say, and I think you are on record as saying, that you never told Burnham?—A. I do not remember.

Q. You said you threatened Burnham?—A. Yes, I told Burnham criminal proceedings would be taken against him.

By the Chairman:

Q. What was his answer?—A. At the time that Tracy, Boardman and Platt were consulted—

Hon. Mr. BÉRIQUE.—Never mind arguing the question.

By Mr. Coster, K.C., Counsel for the Committee:

Q. In answer to Mr. Aylesworth's questions last night, I understood you to say that you had never seen the Moss copy of the contract. Now, if that is the case, as the contract unchanged, was put in evidence before the department, and Burnham showed you a changed copy, how can you say you did not see both copies, when there were only two copies?—A. I saw two copies. I saw one in the hands of the department, and one in the hands of Mr. Burnham. I think I answered it in that way.

Q. As a matter of fact, you believed Burnham had them both?—A. Decidedly.

Q. He must have had them both?—A. Yes, because Appleton told me he had the true contract, because he got it from Burnham.

Q. Now, was that contract on file with the papers of the office?—A. It was not.

Q. Where was it kept?—A. Always kept by Mr. Burnham in his private desk. a circumstance which did not apply to all other contracts.

Q. And this one was there?—A. Yes.

Q. Did I not understand you in your evidence here yesterday, that you demanded to see the pay-rolls by letter to the president, and that letter was put in evidence?—A. It was.

Q. Was that demand of yours complied with?—A. Never.

Q. And did they or did they not refuse to let you see the pay-roll?—A. They did refuse.

Q. What was the name of the paymaster?—A. W. A. Butts.

Q. Did you go to Butts and demand to see them?—A. Yes.

Q. What did he say?—A. He said the president gave orders not to show them to anybody without his express order.

Q. You wrote to Burnham after that?—A. Yes. I said, 'Mr. Butts informs me so-and-so.'

Q. But still you were not allowed to see them?—A. No.

Q. And did not see them?—A. No.

Q. By the constitution and by-laws, the executive committee have the right of fixing the salaries?—A. They have.

Q. Was the rule not more honoured in the breach than in the observance? If you do not know what the salaries were, how could you fix it?—A. I think it was, to a very great extent.

Q. Why did you not attend to your duties and see about them, when that was one of the duties you were paid for performing?—A. Probably I should have asserted my rights more vigorously, but if I had, probably my head would have gone off, and it would have been a serious matter.

Q. And, as a matter of fact, President Burnham controlled the whole board of directors?—A. Yes.

Q. He elected them at will?—A. Yes.

Q. And they elected him?—A. Yes.

Q. And he controlled the whole thing?—A. Yes.

Q. And did as he pleased?—A. Yes.

Q. And you were powerless?—A. Yes.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. And still Burnham undertook to resign?—A. He did when we cornered him.

Q. Will you give me the date when you were refused permission to see the pay-roll?—A. I cannot remember now. If you will refer to my letter, it will speak for itself.

Q. Can you not remember the date of it?—A. I think it was somewhere between the 15th and 18th of July.

Mr. ELDRIDGE.—It was the 18th July. I remember that date now.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. When was your first interview with Mr. Tracy?—A. I cannot tell you the exact date, but I think it was in August, September and October, or running up to October and November. I think probably the first interview might have been in August, but I am not positive as to that.

By the Hon. Mr. Watson:

Q. What year?—A. 1898.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. Those were then comparatively concurrent events, the refusal to permit you to see the pay-rolls?—A. No, that occurred some time before.

Q. When you discovered what in your mind convicted Mr. Burnham of forgery, did you ask for any acknowledgment of the indebtedness to you or any scrap of paper or writing, that perhaps a prudent man would ask, having discovered his debtor a forger?—A. No, I did not.

Hon. Mr. BEIQUE.—As far as I am concerned, I draw Mr. Eldridge's attention to this: that I expect we will have the full information as to the condition of Mr. Moss's account, and specially as to whether the statement made by Mr. Wells, that he was paid \$100,000 or \$200,000, which he was not entitled to, in other words, that the company paid more than the 85 per cent commission. Then, for my part, I will expect that we will also be informed as to whether the company paid some fifteen thousand dollars to stop the suit, which was threatened against the president, for his removal.

WELLS

APPENDIX No. 1

(Exhibit No. 17.)

NOTE.—Exhibit No. 17 was put in and marked, but the reporter has no reference in his notes at what point it was filed.

STATE OF NEW YORK,
INSURANCE DEPARTMENT,
ALBANY, February 15, 1904.

I, FRANCIS HENDRICKS, Superintendent of Insurance of the State of New York, do hereby certify that I have compared the annexed copy of Report of Examination of the Mutual Reserve Fund Life Association of New York, as of December 31, 1901, dated April 16, 1902, with the original on file in this department, and that the same is a correct transcript therefrom, and of the whole of said original.

In witness whereof I have hereunto set my hand and affixed my official seal, at the City of Albany, the day and the year first above written.

[Seal.]

FRANCIS HENDRICKS,
Superintendent of Insurance.

INSURANCE DEPARTMENT,
ALBANY, N.Y., April 16, 1902.

Hon. FRANCIS HENDRICKS,
Superintendent of Insurance,
Albany, N.Y.

DEAR SIR,—I submit herewith report on examination of the Mutual Reserve Fund Life Association of New York, ordered to be made by your commission of appointment No. 1519. The date to which the examination was made was December 31, 1901.

By the Act of May 10, 1901, chapter 722 of the laws of that year, the policies and certificates issued by the association prior to accepting the provisions of said chapter, are directed by it to be valued in the manner prescribed therein.

In the case of certain of its policies, the association has obtained consents from the insured to create liens against such policies, the liens representing the reserve values that could have been accumulated, had these policies been that which they are now considered to be, from the date of the issue of the original policy which is subject to the lien mentioned.

These liens are held by the association to be of the nature of loans made to policyholders, and bear interest at the rate of 5 per cent per annum. Should one of these policies become a claim, the lien, together with the arrears of interest thereon, if any, is deducted from the amount of insurance specified in the policy.

In the \$4,057,135 of reserve liability charged in the present examination, the policies subject to the liens referred to have been valued for the total insurance stated therein as of date of and age at issue of original policies or certificates, without reference to the liens thereon. An entry of \$2,020,048.02, being the amount of said liens, appears in 'assets' as an offset to the reserve charge directed to be made by the Act of 1901.

The outstanding claims are charged at \$1,125,949.10. This represents the principal sums or maximum amounts of insurance stipulated to be paid in the policies or certificates under which the claims have arisen, after deducting any indebtedness attaching to said policies, including reserve liens placed upon same. The consent of the insured had been obtained authorizing the creation of these liens, except in forty-seven cases, amounting to \$338,340 of insurance, on which \$78,040.63 of liens had been placed without such consent in writing, but by an amendment to the association's by-laws, upon the strength of which the liens on these forty-seven policies had been created.

The condition of the association on December 31, 1901, was as follows:—

WELLS

ASSETS.

Real estate, book value.	\$ 679,910 96
Mortgage loans on real estate, 1st liens.	534,150 00
Government, municipal and other bonds.	435,533 61
Cash deposited in banks.	812,608 35
Cash in hands of bonded collectors.	148,678 40
Cash in office.	908 87
Premiums in course of transmission.	140,527 45
Bills receivable.	2,772 29
Interest on mortgages due and accrued.	5,763 46
Interest on bonds.	3,232 17
Interest on other assets.	1,273 50
Interest due and accrued on premium notes and liens	111,889 70
Rents due.	4,727 07
Market value of real estate over book value.	78,560 46
Deferred premiums on which full year's reserve is charged in liability.	811,592 57
Liens allowed not exceeding statutory reserve charged as a liability against each policy respectively.	2,020,048 02
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	\$5,792,176 88
Less depreciation in bonds.	1,776 05
	<hr/>
Total assets.	\$5,790,400 83

LIABILITIES.

Net present value of all outstanding policies in force December 31, 1901, as per certificate of New York Insurance Department.	\$4,057,135 00
Death losses due and unpaid. \$ 28,060 74	
Death losses approved.	210,168 95
Death losses unadjusted.	476,726 45
Death losses reported, no proofs.	325,121 15
Death losses resisted.	85,871 81
	<hr/>
	1,125,949 10
Disability claims.	2,100 00
Annuity claims.	1,200 00
Unpaid dividends (including those contingent on pay- ment of outstanding and deferred premiums).	38,925 54
Salaries, rents, expenses, tax-bills, bonuses, commis- sions, medical and legal fees, &c.	71,292 62
Premiums paid in advance.	19,511 25
Liability on lapsed policies on which the association's liability has not yet terminated.	4,095 00
Agents' credit balances.	3,306 84
	<hr/>
Total liabilities.	\$5,323,515 35
Excess of assets (including policy liens) over lia- bilities.	466,885 48
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Aggregate.	\$5,790,400 83

Respectfully submitted,

ISAAC VANDERPOEL,

Chief Examiner.

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WELLS

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Aggregate.	\$5,790,400 83

Respectfully submitted,

ISAAC VANDERPOEL,

Chief Examiner.

APPENDIX No. 1

STATE OF NEW YORK, }
 County of Albany. } S.S.

ISAAC VANDERPOEL, being duly sworn, deposes and says the forgoing report, subscribed by him, is true, to the best of his knowledge and belief.

ISAAC VANDERPOEL.

Subscribed and sworn to before me, }
 this 16th day of April, 1902. }

THOMAS F. BEHAM,
Notary Public, Albany Co.

[L.S.]

The Committee then adjourned till July 12th, at 10 a.m.

PART 5.

OTTAWA, July 12, 1904.

The Committee appointed to inquire into the position in Canada of the Mutual Reserve Fund Life Association of New York, resumed at 10 a.m.

Mr. Geoffrion, Counsel for the Mutual Reserve, made application to the Committee for permission to reopen the cross-examination of Mr. Wells.

J. D. WELLS recalled.

By Mr. Coster, Counsel for the Committee :

Q. I wish you to identify this letter, Exhibit No. 9. See if you know what that is?—A. That is a copy of a letter written June 25, 1898, by the Hon. J. W. Vrooman, treasurer of the Mutual Reserve Fund Life Association, to Mr. F. A. Burnham, president.

Q. You know that to be a copy of the letter?—A. I do.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Please look at these two cablegrams marked for identification, and tell me whether these are copies of cablegrams sent by you to Mr. Burnham, the president, as they purport to be?—A. I do not remember the sending of these cablegrams.

By the Chairman :

Q. What is the date of them?—A. 1896.

By Mr. Coster, Counsel for the Committee :

Q. July 22, 1896, one of them appears to be?—A. Yes, I think this is July. It looks like July 20, 1896.

By the Chairman :

Q. Where was that sent from?—A. I think it is from New York to Paris.

WELLS

By the Hon. Mr. Wilson:

Q. You do not remember sending them?—A. No, I do not remember the sending of them.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. You do not remember it?—A. No.

Q. Do you deny having sent them?—A. I do not.

Q. This cablegram reads:—

‘To Burnham, Paris, sent by Wells: Realizing importance success London, think party should immediately proceed to, cable instructions.’

And the second cablegram reads:—

‘Party thinks—

Q. These documents have been referred to, and I should like to put them in. Please look at these four letters which purport to bear your signature, one July 20, 1896, addressed to Mr. Burnham, one July 31, 1896, addressed to Mr. Burnham, and one of July 6, 1896, addressed to Mr. Burnham, and one of September 8, 1896, addressed to Mr. Burnham?—A. Yes, these bear my signature.

Q. I wish simply to identify them. They bear your signature?—A. Yes. They all bear my signature.

(Four letters marked for identification).

Q. Please look at two letters purporting to be written by Mr. Burnham to you on June 20, and on July 6, 1896, and please tell me whether those letters are not written by Mr. Burnham? They are corresponding with those other letters. Tell us whether those letters were not written to you by Mr. Burnham and received by you?—A. I cannot remember them.

By Mr. Coster, Counsel for the Committee:

Q. Perhaps you have the original letter?—A. Possibly I have. I cannot remember whether those are actually the original letters. I acknowledge one of July 6, but I certainly cannot remember the purport.

Q. Look over them and see if you had notice of all the facts contained in them?—A. I had considerable correspondence with Mr. Burnham.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Have you any doubt those are the letters?—A. I do not know, but I have no objection to them going in as letters having been received by me at all. I have a number of letters from Mr. Burnham.

Q. You stated that you knew the writing of Mr. Hoffecker?—A. Yes.

Q. Please look at this letter dated New York, May 13, 1898, signed by Mr. Hoffecker, and addressed to you, and tell us whether this is a letter of his written to you?—A. That is the handwriting of Mr. Hoffecker, the auditor—yes, I recognize his handwriting.

Q. That letter was sent to you, no doubt?—A. Addressed to me on May 15, 1898. I do not know whether I received this letter, or not. I recognize the handwriting.

Q. You admit having received it?—A. I do not know whether I received it or not, on my return from Europe.

Q. You would not say you did not receive it, of course?—A. I do not say I did not receive it.

Q. Look at this letter sent by the same Hoffecker, May 20, 1898, addressed to you, with a note in your handwriting, and initialled by you, ‘Handed to me by Mr. Hoffecker about half an hour ago’ and tell us whether that letter is in the handwriting of Mr. Hoffecker, and received by you?—A. Yes, this is in his handwriting.

WELLS

APPENDIX No. 1

This would indicate it was handed to me by Mr. Hoeffecker, about half an hour before. This is May 20, 1898.

Q. Will you look at the third letter of May 24, 1898, signed by Mr. Hoeffecker, addressed to you as chairman of the committee, and the note under your initials and in your handwriting 'Dear Mr. Burnham: This letter is the outcome of Mr. Hoeffecker's suggestion that I should see him and get from him the lowest amount he would take.'—A. Yes, that is Hoeffecker's also.

Q. This letter is dated New York, May 13, 1898, and is addressed to J. D. Wells, Esq., Chairman of the Executive Committee, and is as follows:—

'DEAR SIR,—I respectfully beg to bring before your committee, the matter of my present compensation, with the request that an early and satisfactory adjustment be made thereof.

'I have for the past two years rendered faithful, and so far as I can ascertain, efficient service, in this department, on a salary of \$35 per week.

'With my knowledge of the basis upon which our present disbursements are made, this amount is unnecessarily small and unjust, when the responsibility of my duty is considered.

'I have been compelled to cease my \$10,000 policy of insurance in the association, and on June 1, will be obliged to give up my present home in this city, which to the most critical cannot be but called modest.

'I therefore ask that beginning with May 1, my salary be placed at \$100 per week.

'I have other prospects that promise such a return, if not more, and under the circumstances now existing, feel obliged to place my services where they will be the most appreciated and remunerative to me.

'Yours very truly,

'J. S. HOFFECKER.'

A second letter is dated May 20, 1898, and addressed also to J. D. Wells, Esq., Chairman, &c., and is as follows:—

'DEAR SIR,—As I have received only my usual salary from the paymaster to-day, I desire to know if your committee has acted on my letter of May 13, or intends taking any action thereon?

'Yours truly,

'J. S. HOFFECKER.'

Then, there is a third letter by the same party, addressed in the same way, and dated May 24, 1898. It is as follows:—

'DEAR SIR,—In reply to your inquiry, I beg to say that for the present I will accept \$75 per week.

'By this, I do not make the admission that my first amount was too high, but I am willing to assume my share of the burden naturally arising from the depressed condition of our business at present.

'Yours very truly,

'J. S. HOFFECKER.'

Then, there is a note under the initials of Mr. Wells, as follows:—

'DEAR MR. BURNHAM,—This letter is outcome of Mr. Moss's suggestion that I should see Hoeffecker and get from him lowest amount he would take.'

Now, Mr. Wells, how do you reconcile this with the two repeated statements in your evidence that you never heard of any demand on behalf of Mr. Hoeffecker for an increase of salary, and that if any had taken place, you would have heard of it?—A. I forgot all about it, that is all. He evidently had asked, by these letters, for an increase of salary. They were coming from almost every quarter. I had forgotten or I would not have made that statement.

Q. Will you please look at these two vouchers filed before this Committee for identification and tell us whether you recognize your signature on both?—A. Yes, I recognize my signature.

Q. On both?—A. Yes, on both. One is dated May 3, and the other May 22, made out by order of the executive by Mr. Underhill, who represented Mr. Burnham. I do not know why that is signed by Mr. Moton D. Moss. It is signed by two, Mr. Vrooman and myself, and the other by Mr. Baldwin and Mr. Vrooman.

Q. Let us take the one dated May 3, 1898. That was just about the date of your return from Europe?—A. Just about.

Q. It is a voucher signed by Mr. Moss, yourself, and Mr. Vrooman?—A. Yes.

Q. And reads as follows:—

'The bookkeeper of the Mutual Reserve Fund Life Association will credit Moton D. Moss, general manager, with \$1,134.75, and charge the same to the account of sundry agents and accounts.'

A. Those were, I should say, for amounts retained by the agents—premiums due by the agents of the company. I should judge that looking at the voucher now. It was in order to balance the accounts that those amounts were made up, due by Mr. Moss or by some one. I should suppose they were premiums in the hands of agents that they were to be charged with, failing to remit for them. It was the only way they would credit the amounts.

Q. But does not this conflict with your interpretation of the contract that Mr. Moss was not to be credited with the amounts advanced to agents?—A. That does not say credit Mr. Moss.

Q. Yes, look again. At the beginning it says, 'credit to Moss.' Here is a credit to Mr. Moss which is charged at the same time to the agents. How can you explain this, in view of your interpretation of the contract?—A. I cannot tell just now. There must be some explanation of it. If I had access to the accounts and books, I could explain it. I cannot just at this late date tell exactly what this refers to, because if that is the only voucher, for all the amounts advanced to agents, it is a very small proportion of it. It is for something else besides unquestionably advances to agents, because those advances to agents amounted to one hundred and sixty-eight to one hundred and seventy thousand dollars, and I cannot tell what this voucher may be. It is probably something Mr. Moss was entitled to credit for, perhaps commissions, I cannot tell.

Q. However, it is an amount credited to Mr. Moss, and debited to the agents?—A. Unquestionably.

Q. And you are positive it cannot be for advances to agents?—A. Taking a single voucher that way, I cannot tell.

Q. Would you have signed a voucher to credit Mr. Moss with advances made to agents?—A. I do not think I would.

Q. You are pretty positive you would not?—A. I am pretty positive I would not.

Q. And you say that is not it?—A. I do not think it is.

Q. And you cannot say what it is?—A. I cannot, looking at a single voucher this way. Bring all the vouchers and I would know.

Q. Please look at this other voucher, marked for identification, dated January 21, 1897?—A. The same answer would apply to that.

Q. It would be something else?—A. I cannot tell. You hand me a voucher dated 1897, and ask me if that conflicts with my testimony in regard to the contract; I say it does not.

Q. Does the memorandum annexed and pasted to that voucher help you to understand?—A. No, because that would not be attached to the voucher when I signed it. The voucher would come to me with some explanation. I cannot tell what the explanation was now, but the explanation at that time no doubt was satisfactory in regard to it, or I would not have signed it.

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Q. Can you for a moment imagine any circumstances under which Mr. Moss would be entitled to the credit of a certain amount charged to agents, under the interpretation that you give to the contract?—A. There would be the commissions.

Q. What commissions?—A. For instance, agents sending in business, Mr. Moss was entitled by his contract to eighty-five per cent of a commission upon the whole business done by the agents and by himself.

Q. That is when the company would receive the money?—A. That is the interpretation of the contract, but that was deviated from, as I explained the other day; agents often retained the whole of the premiums and still Mr. Moss was credited with the commissions.

Q. Which, as you say, was irregular under the contract?—A. Yes.

Q. And you claimed that under no circumstances should Mr. Moss be credited without payments were made by the agents or by Mr. Moss himself to the association?—A. That is the way the contract reads.

Q. That is your interpretation?—A. Yes.

Q. Under that interpretation, under no possible circumstances could Mr. Moss have a right to be credited with an amount which the association did not receive, but which was at the same time charged to an agent?—A. No, I do not say he would have a right to credit for the commissions, but still to balance the accounts, the agents having retained the entire premiums, the policy-holders who paid the money had to have credit and the books had to be balanced.

Q. The policy-holders could be given credit, I can understand, but I read from your evidence that you hold that you never consented to moneys being credited to Mr. Moss when the moneys were not actually paid to the association?—A. I forget what my evidence was, but it should not have been.

Q. It would have been contrary to the spirit of the contract?—A. It would have been contrary to the spirit of the contract. A great many irregular things were done about that time, unquestionably.

Q. And that is what you complained of when you returned from Europe?—A. Not immediately, but sometime afterwards, when I found out the state of things. I did not immediately after my return from Europe.

Q. You would have objected when you found it out probably a short time after your return from Europe?—A. Whatever time it was.

Q. It is possible you would not have time to find it out on the third of May?—A. I do not think it; I may say I would not.

Q. You would have found it out later on?—A. I would have found it out later on.

Q. How is it that on January 27, the year previous, you signed a voucher exactly in that sense at the very beginning of the contract?—A. You have to bring me the particulars which this voucher covers. I cannot at this date, from handing me one or two vouchers, tell you what those vouchers represent.

Q. I will hand them all to you?—A. All of them?

Q. I will not guarantee all, but I have a good many. Here is a voucher submitted to you February 4, 1897, with the same words exactly, and signed by you also, and with a memorandum attached. Look at the voucher of June 17, 1897, bearing your signature also?—A. Precisely.

Q. And one of July 1, 1897, bearing your signature and worded in exactly the same manner?—A. Yes.

Q. And another dated July 6, 1897?—A. Yes.

Q. That is about the date you left for Europe?—A. Yes.

Q. During your absence, of course, you did not sign any vouchers?—A. I did not.

Q. I have shown you the voucher of May 3, 1898, immediately after your return. There is another, dated June 2, 1898, worded the same way, and signed by you?—A. Yes.

Q. Here is one dated July 5, 1898, worded the same way and signed by you?—A. Yes.

Q. And here is a voucher of July 27, 1898, worded the same way and signed the same way?—A. This is a voucher that Mr. Eldridge brought to me after my return, and it was to balance Mr. Moss's account. I said: 'I will sign it, but, Mr. Eldridge, you will have to take the responsibility.' I think he will remember and bear me out. It was in the discharge of the first year's commissions accrued and to accrue, and in discharge of renewal commissions. It was a voucher made up, as Mr. Moss showed a debt balance of thirty or forty thousand dollars. It was no good anyway. I explained to him: 'Now, I signed this, Mr. Eldridge, simply to get it off the books.'

Q. This was the voucher closing Mr. Moss's account?—A. Yes, and in discharge of whatever was to accrue in the future.

Q. That bears your signature also?—A. Yes.

Q. Looking at all those vouchers, can you suggest, under your interpretation of the contract, a single case, still less cases, arising as frequently as these, where Mr. Moss would be entitled to have credit for such amounts without actual payments being made to the association, with such amounts being debted to sundry agents?—

A. They kept three accounts, a special account, a regular account, or general agents' account, and there was another account I forget. But there were three accounts kept, and these accounts here which were to be placed to Mr. Moss's credit it never was interpreted or understood—while my signature is there, I do not dispute that—still it was never understood they were to be taken out of Mr. Moss's account, and you will find in Mr. Moss's account the ordinary account rendered him for this, commissions due him each month, that the \$3,500 a week does not appear—I have one or two of them with me now—in those accounts at all, and it may have been, and I am satisfied it was, a question of bookkeeping to take it out of some certain account in which it was placed, but it was never intended that Mr. Moss should get credit for these accounts paid in. There is no question of that.

Q. I understand you, then, that you signed this voucher crediting Mr. Moss, on the understanding that he would not be credited?—A. Decidedly, that it was not to be taken out of his account; it was to remain charged to his account, and not taken out of his account.

Q. That is your explanation of these signatures?—A. Decidedly.

Q. The last point to which I wish to draw your attention is concerning this voucher of May 22, 1896, which you have identified, signed by you and authorizing payment in cash to Mr. Eldridge of \$250 for special services in connection with auditing in 1895?—A. Yes.

Q. That would be for the \$250 every two months for the services of Mr. Eldridge?—A. Precisely.

Q. Therefore, when you stated in your evidence, pages 558 and 559, that you never knew Mr. Eldridge to get \$250 for auditing the books until you came to give evidence here, you must have been mistaken?—A. I never knew about \$1,500 a year being allowed to him. That special item there, certainly I signed that, but it never came to my knowledge that he was to be allowed \$1,500 a year.

Q. It never came to your knowledge that he was to be allowed \$250 every two months?—A. Never.

Q. How did you come to sign this?—A. It was signed by two executive officers, and for some special services it mentions:—'For special services rendered in connection with audits called 1885.' That is in reference to that particular call in 1885.

Q. So each \$250 would be for a special call?—A. Judging from Mr. Eldridge's evidence which he gave the other day, he was allowed \$1,500 a year, which he had forgotten when he first gave his evidence, but he afterwards recalled. That was for special services. The words 'Special services' would indicate that Mr. Eldridge was not allowed a regular stated sum per annum of \$1,500; it was for that special call.

Q. The voucher shows that he was allowed for two months?—A. It does not say

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how much. It says call \$5,317. That takes him up to the next two months. It was for that special call—special services.

By the Hon. Mr. Béique:

Q. Take, for instance, the voucher of January 21, 1897, a credit to Mr. Moss of \$1,750.55, and you have the details of it on the sheet annexed, which shows what this amount of \$1,750.55 was made of?—A. That is added to it since. That is an account made up by Mr. Moss, but did not accompany the voucher at the time it was signed.

Q. Did not the voucher refer to the statement?—A. To that statement?

Q. To that statement?—A. It speaks for itself. I do not remember the reading of it.

Q. Were not the two punched together?—A. No, it is very easy putting in a punch; that punch was not on it when it was signed.

Q. You have here, for instance, another voucher for \$10,105. And you have a statement annexed to it showing the details of the amount, giving the names of the parties and putting up an exact amount. Do you suggest that these are made up statements, that they are not bona fide statements?—A. I do not know anything about it. They are published statements referred to, which Mr. Moss presented when accounting for his disbursements; he was to account in detail by his contract.

Q. You know this \$1,750.55 is really the same amount appearing on the statement?—A. That was a statement instead of producing vouchers.

Q. Therefore he was credited with advances made on commission, properly or not?—A. He was evidently credited with these and I have testified to that, from his memorandum that he brought in. That memo. was credited to Mr. Moss.

Q. You consider it was not according to contract?—A. Decidedly not.

Q. Nevertheless you have, as one of the officers of the company, been a party to allowing this to be done from these vouchers?—A. Evidently I was misled, because I never understood—and I say so now—that it was not the intention of the contract to credit Mr. Moss with those advances. That is Mr. Moss's account was to remain charged, and his contract simply provided for the distribution of the money, \$3,500 a week; that he should produce those vouchers so that the company could keep a check, but it never contemplated taking out of his account the \$3,500 a week, never.

Q. But you were evidently quite aware, before making up your mind, that it was the practice?—A. No, evidently there is some explanation which I cannot remember now. I was always under the impression—and such is the wording and interpretation of the contract by not only the Commissioner of Insurance, but by every other expert who has read that contract—that Mr. Moss was to remain charged with the \$3,500 a week, and that was Mr. Burnham's interpretation of it, and we talked it over at first and we all understood it so. The vouchers brought in this way were simply vouchers that would account for the distribution of moneys. Otherwise we were giving \$3,500 a week and eighty-five per cent, which would cost immensely more than the entire premiums received.

Q. I do not suggest that it was proper, but what appears plain is that you were a party to crediting him in that way?—A. That decidedly was wrong, and it is contrary to my impression of the contract and contrary to the understanding of every officer in that association; vouchers were only given as evidence that we had distributed that money.

JAMES THOMPSON PATTERSON, sworn and examined.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You reside in New York?—A. Yes.

Q. Your occupation?—A. Life insurance.

Q. Are you an actuary?—A. Consulting actuary.

Q. How long have you been engaged in the business?—A. About eighteen years.

Q. Have you published any works on the subject?—A. I have.

Q. Would you name some of them?—A. Fundamental Principles of Life Insurance, The Different Systems of Life Insurance Combined, and The Mutual Underwriters' Manual—those are the principal ones.

Q. And others?—A. Yes.

Q. Have those books been circulated pretty well?—A. They have had an extensive circulation.

Q. Were they, as far as you know, usually accepted by the companies as being pretty good works on the subject?—A. They are, as far as I know, accepted as authorities on life insurance.

Q. From what sources did you get your knowledge of the business, the information which enabled you to compile these works?—A. Principally from the official reports made to the insurance departments of the various states by life insurance companies, by the returns made to the Registrar General in England and other countries, and by standard works on life insurance.

Q. Then you say you have made a special study of the annual reports of different companies submitted to the Insurance Department, have you?—A. I have been studying them for eighteen years.

Q. Were you ever connected with the Mutual Reserve Fund Life Association?—A. I was.

Q. How long, and in what capacity?—A. I first became connected with it in 1886, under Mr. Wells, in Canada, and remained there until 1889, when I was manager for the province of Quebec, and local treasurer or collector in Montreal, and was called to the home office in New York, and from there sent over to the Old Country, where I remained for a little over two years, was recalled to the home office, and appointed corresponding secretary, and remained corresponding secretary, with the exception of a period of a few months, until 1896. At the time of the death of the late E. B. Harper, I was also private secretary to the president, and in the president's office.

Q. Private secretary to the late President Harper?—A. The late President E. B. Harper. That finishes my connection with the Mutual Reserve.

Q. During the time that you were there, the rates were reapportioned, were they not?—A. They were.

Q. Were you consulted in any way prior to the reapportionment of the rates, in 1895?—A. I was. Sometime prior to the reapportionment of rates, Mr. Frederick A. Burnham, who was then counsel for the Mutual Reserve, and chairman of the Executive Committee, sent for me and showed me a document by Mr. George D. Eldridge.

By the Hon. Mr. Béique :

Q. When was that?—A. In 1895 : Setting forth the reasons why a reapportionment of rates should be made. Mr. Burnham told me that he had been up the previous evening to see President Harper, and that President Harper told him that he wished some one in whom he had confidence to go over that document and report on it, and Mr. Burnham said that President Harper suggested that I should go over that document, and Mr. Burnham said that that was his own view, and asked me to drop all other work, and report on that document at the earliest possible date, which I did.

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By Mr. Coster, K.C., Counsel for the Committee :

Q. That is on the reapportionment of the rates ?—A. Yes—on the reasons which went to show that the rates should be reapportioned.

Q. You were of the opinion then, that the rates should have been reapportioned at that time ?—A. I was.

Q. Were you also of the opinion, and was it rather the opinion of the company, that the reapportionment as then made, would be sufficient ?—A. That was the representation made, that the reapportionment then made, was sufficient to provide ample means for the payment of death losses without further increase.

Q. And that representation was made to the members of the company, the policy-holders ?—A. It was.

Q. Did this reapportionment cause some dissatisfaction at that time, do you remember ?—A. It caused a very considerable dissatisfaction. Indignation meetings were held by policy-holders in different parts of the United States with a view to putting the association into the hands of a receiver, and I was deputed by the management to attend these meetings, and in the best way I could explain the causes which had led up to the reapportionment of rates, and satisfy the members that it was necessary, and do what I could to induce them to continue as members.

By the Hon. Mr. Béique :

Q. And promise that it would not be increased again, I suppose ?—A. I did not make that positive statement, but the argument all tended in that direction.

By the Hon. Mr. McSweeney :

Q. How much was the advance ?—A. The advance was, in some ages, about one hundred per cent. At the higher ages, it would be about a hundred per cent, and at the lower ages, ranging from twenty-five to fifty per cent.

By the Hon. Mr. Béique :

Q. Did it reach a higher premium than they would be charged under the level premium system ?—A. It did not.

Q. About how much below did it remain in a rough way ?—A. I should think it would be at least 25 per cent less, in most cases.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. It would depend on the age of each man ?—A. Yes.

By Mr. Coster, Counsel for the Committee :

Q. Did the Pittsburg committee, to which you refer, make a report to the policy-holders at that time in Pittsburg ?—A. There was a committee appointed by the policy-holders of Pittsburg to visit the home office with a view to getting information as to the financial condition of the company, as to the likelihood of any further increase and all other information which they might be able to gather to satisfy the policy-holders. They visited the home office, got the information and afterwards made a report.

Q. The Pittsburg committee made a report ?—A. Yes, and that report was published along with the address of President Burnham at the annual meeting held in January, 1896.

Q. Have you that report ?—A. I have. (Report filed for identification.)

Q. And that report was made after the article was submitted to the committee, was it not ?—A. I should have explained that when the committee visited Pittsburg, N.Y., they brought along with them a series of questions to be answered by the association; among others, information to satisfy them that the reapportionment which had just been made was sufficient, and that there would be no necessity for any fur-

ther increase. The duty of answering that particular question devolved upon me, and I prepared the best answer that I possibly could, submitted it to President Burnham, and it was forwarded to the Pittsburg committee, and on that, and the information which they gathered from the home office, they made their report. The purport of that whole article was to furnish evidence that there would be no necessity for any further increase in rates.

By the Hon. Mr. Watson :

Q. That was the article prepared by you ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Was that approved of by President Burnham and Mr. Eldridge ?—A. It certainly was approved by either President Burnham or Mr. Eldridge, because it was sent from the home office, as I understood, along with the letter and the other information from the president's office.

By the Hon. Mr. Watson :

Q. Mr. Burnham had confidence in your statement ?—A. Certainly. Well, he went over the statement and made certain corrections in it and amended it in certain places.

By the Hon. Mr. Wilson :

Q. Are we to understand by that, that the Mutual Reserve Association of New York were satisfied with the report that you made, endorsed the report and had that report sent to this committee ?—A. They were. I have a copy of that and the original draft of the article.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Is it your opinion that with honest and economical management that the rate paid by the members insured on the fifteen-year plan, we will say, in 1888 and 1889, would have been sufficient to enable the association to pay its death losses in full ?—A. It is my opinion.

Q. What reason have you for making this statement? Look at this statement. Is that taken from the sworn insurance report ?—A. I compiled that paper.

Q. That statement is compiled from the sworn insurance report ?—A. Yes. I compiled this table from the sworn reports or from the published printed reports of the Bankers' Life Association, of Des Moines, and I have with me the literature of the Bankers' Life of Des Moines, which practically shows the same thing.

Q. This is the Bankers' Life Association, organized September, 1879, home office. This was on the same principle as the Mutual Reserve. It was an assessment company ?—A. Purely assessment.

Q. The same as the Mutual Reserve ?—A. Yes.

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Q. This statement reads as follows :—

BANKERS LIFE ASSOCIATION.

ORGANIZED SEPT., 1897.

Home Office, Des Moines, Ia.

Year.	Insurance in Force.	Death losses incurred.	Expenses.	Income.
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1893.....	49,370,000 00	326,000 00	110,074 84	614,823 74
1894.....	59,296,000 00	354,000 00	129,957 00	705,629 51
1895.....	74,308,000 00	774,000 00	193,742 02	979,291 17
1896.....	86,754,000 00	488,000 00	181,148 57	950,727 69
1897.....	100,538,000 00	588,000 00	178,090 43	1,172,695 90
1898.....	114,868,000 00	638,000 00	202,286 89	1,317,376 40
1899.....	129,366,000 00	808,000 00	220,907 03	1,505,025 48
1900.....	143,256,000 00	901,000 00	221,074 83	1,639,939 51
1901.....	159,766,000 00	1,008,000 00	239,251 62	1,577,270 44
1902.....	178,534,000 00	1,054,000 00	407,186 88	2,121,228 90

Admitted assets. Dec. 31, 1893..... \$ 231,999 27
 " " 1902..... 4,798,333 14

COST PER \$1,000 INSURANCE AT ALL AGES.

Year.	Death Losses.	Expenses.	Both.
	\$ cts.	\$ cts.	\$ cts.
1893.....	6 61	2 22	8 33
1894.....	5 09	2 06	7 15
1895.....	5 01	2 61	7 62
1896.....	5 62	2 09	7 71
1897.....	5 84	1 77	7 61
1898.....	5 55	1 76	6 31
1899.....	6 24	1 71	7 95
1900.....	6 29	1 54	7 83
1901.....	6 31	1 49	7 80
1902.....	5 92	2 22	8 14

Q. What do you say as to the rates charged by the Bankers' Life, of Des Moines?
 —A. I simply wish to state that in no year—no entire year of the Bankers' Life Association, has its death rate exceeded eight dollars to the thousand; that is, eight dollars a thousand dollars of insurance, and in no year during its entire history has its expenses exceeded an average of two dollars and about twenty-five cents; that its death rate in the year 1902, with about two hundred million of insurance in force, is less than it was fifteen years ago, and it is less than \$6 to the thousand insurance in force.

By the Hon. Mr. Watson :

Q. Was the company open to the general public?—A. It was.

By the Honourable Mr. Lougheed:

Q. The same kind of insurance?—A. The same kind of insurance.

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By the Hon. Mr. Domville:

Q. Not the same management?—A. No.

By the Hon. Mr. Lougheed:

Q. Same principle?—A. Yes.

By the Hon. Mr. Béique:

Q. How did the rates compare?—A. The cost to a member insuring at the age of forty has never in any year exceeded \$10 to the thousand for death losses and expenses all put together.

Q. But at the outset, were the rates as low as the rates in the Mutual Reserve, as they were established at the outset?—A. The rates, if you can say it had any rates, were no higher than the rates adopted by the Mutual Reserve in the year 1898.

Q. I am speaking at the origin of it, when the Mutual Reserve was organized, there were rates that were adopted, were there not?—A. The rates adopted by the Bankers' Life?

Q. By the Mutual Reserve?—A. I suppose it may be taken for granted that they did adopt a table of rates, but they only collected the actual amount required for death losses and expenses, with 25 per cent for the reserve. The Bankers' Life Association, on the other hand, collects whatever is required for death losses, and practically has no real rate.

Q. At any rate you say that the parties insured in this Bankers' Life Association were assessed smaller amounts than those insured in the Mutual Reserve?—A. Taking the whole history of the company, yes.

Q. During the first five years?—A. During the first five years of the Bankers' Life I cannot testify to that, because I am not familiar with what the Bankers' Life did some twenty years ago. I examined the Bankers' Life with a view to furnishing this information.

Q. When were they organized?—A. 1879.

Q. Can you speak of 1890 to 1895, and make a comparison between the two?—A. Yes.

Q. And you say that the assessments were smaller in the Bankers' Life than in the other?—A. I would prefer to say that the cost of insurance to the members of the Bankers' Life Association was less than the cost to the members of the Mutual Reserve Fund Life Association during that period.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And the Bankers' Life have the large surplus of four million?—A. Something in that neighbourhood. It had admitted assets at that date, December 31, 1902, of \$4,798,331.14.

By the Chairman:

Q. Do you know what the assets are composed of?—A. Those assets are composed of real estate, bonds and other investments approved by the Insurance Department of the State of Iowa.

By Mr. Coster, K.C., Counsel for the Committee:

Q. No liens on that?—A. No.

Q. No imaginary loans on promissory notes?—A. None whatever.

By the Hon. Mr. Lougheed:

Q. How did the rates compare with those of the Bankers' Life when you made the first increase in the rates?—A. The rates we were collecting in 1895, so far as I recollect,—I had never compared them—

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Q. What is the year that you reapportioned?—A. 1895. The Bankers' Life is one of the associations I examined with a view to preparing that article.

Q. How closely did you adhere to the rates then in force?—A. I should explain that I had nothing whatever to do with making the reapportionment of rates further than passing on that document to which I referred. I never was afterwards consulted and knew nothing about it.

Q. You adopted your own views upon the subject?—A. Certainly, but I did not have anything to do with the reapportionment or the basis or principle upon which it was made.

Q. You made representations to the public that it was sufficient to continue the company as then?—A. I believe the reapportionment of rates was ample to provide for the payment of death losses without further increase, and I was warranted in that by the statements made by the officers of the company, by the published literature of the company, and especially by the statement and works of Mr. George D. Eldridge, the actuary.

Q. To what extent did that statement correspond in the matter of rates with the Bankers' Life, which you seem to select as being properly conducted?—A. Which statement do you refer to?

Q. The reapportionment?—A. The reapportionment made the cost much larger than the Bankers' Life Association.

Q. What approximately was the excess?—A. I cannot testify to that without having the information before me. It is many years ago now.

Q. Why did you, as an insurance expert, feel justified in taking from the public an amount so far in advance of the Bankers' Life as you state?—A. I never demanded it. I had nothing whatever to do with the reapportionment of rates further than passing upon the data furnished to show that the reapportionment was necessary.

Q. But you took the responsibility of appealing to the public and approving of the position taken by the Mutual Reserve at the time, did you not?—(No answer).

By the Hon. Mr. Watson:

Q. You said so at the Pittsburg committee?—A. Certainly. As I have already explained, when Mr. Eldridge had gone over all the mortality experience of the company as furnished by its books, when he had, as I saw, letters written, the purport of which was to show that the reapportionment was simply to provide for all death losses and no further increase, and when as a matter of fact Mr. Eldridge made a table of rates for the new policy, which at all ages from 25 to 35 inclusive were lower than the members of the fifteen-year class or plan which had been reapportioned, had paid from the beginning from the date of the policy, and with that data Mr. Eldridge furnished a mathematical demonstration which he said was based on the experience of companies extending over a period of 40 years, at that rate it would be ample to carry to policy level during the whole lifetime of the insured.

Q. You are called as an expert. You were then an expert and had published different publications of life insurance and you had a reputation to maintain. You seem to have been familiar with the fact that the Bankers' Life was then conducting business successfully under a much lower rate than you were seeking to obtain from the public in the Mutual Reserve?—A. Yes.

Q. How do you explain or vindicate your consistency as an insurance expert?—A. I was not an officer of the Mutual Reserve Fund Life Association. I was an employee, the corresponding secretary. My duties were to reply to letters, to give whatever information I was able to give in my department, and I claim I had a right and was justified in assuming that the rates then apportioned were equitable. They were high enough. They were not too high.

Q. Then you make a distinction between making a report as an employee and failing to make a report as an expert?—A. I was not then qualified as an expert.

PATTERSON

By the Hon. Mr. Wilson:

Q. You were acting on the suggestion of the New York Mutual Reserve to make out the proper ratio of assessments, and upon that you acted and reported to the Mutual Reserve and they were the ones who assumed the responsibility?—A. No, I did not make out the rates at all.

Q. You acted upon Mr. Eldridge's advice and suggestion to you?—A. No. May I explain, that all that I had to do with the reapportionment of rates was to pass upon a document—

Q. I understand that. If I conveyed the meaning that you had something to do with the rates I mislead you. I merely stated to you that Mr. Eldridge stated to you the whole facts of the case, and upon that you made the report to the Mutual Reserve that you did. You were not responsible to the public?—A. No.

By the Hon. Mr. Lougheed :

Q. I want to know if you were doing that as an employee of the company in contradistinction to your knowledge and opinion as an expert?—(No answer.)

By the Hon. Mr. Béique :

Q. I understand that this report which was made to the Pittsburg committee was practically prepared by the president?—A. No, sir.

Q. You have in your pocket the original report?—A. Not the original report of the Pittsburg committee, but my article which I prepared for the Pittsburg committee.

Q. Is it practically what is published here under the signature of the president of the association?—A. No, it is an entirely different matter altogether.

Q. What was published here was not prepared by you?—A. No.

Q. Is that the document which was prepared by you when they went to you as a man of experience?—A. Who went to me?

Q. You said some of the officers were referred to you by the president as a man who had large experience?—A. It was naturally referred to me, because I had made a special study of the subject, and referred to me in my capacity of corresponding secretary to prepare that particular part of the answer.

Q. The preparing of this document was referred to you as a man of experience—special experience?—A. Yes, and to be approved by Mr. Burnham.

Q. Had you anything to do with the report signed by the president? Was it not submitted to you?—A. No.

Q. Had you anything to do with the preparing of the report of the Pittsburg committee?—A. Not that I recollect.

Q. Are you quite sure? Did you read it recently?—A. My impression is that the report was prepared in the home office of the Mutual Reserve, but I do not think I had anything to do with it.

By the Hon. Mr. Lougheed :

Q. Were you not to consult with them, and quietly?—A. I was deputed to do my share of that, but I had nothing to do with the report.

Q. But you approved of the report, so far as the Pittsburg people were concerned? You gave them to understand that the reports were justified?—A. I did not see the report complete until after it was printed.

Q. But you were a member of the committee?—A. I was only one.

By the Chairman :

Q. What were the instructions of the manager? What were you told to do with these policy-holders—that is what we want to know—what were the instructions from the manager?—A. Do you mean when the committee visited the home office?

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Q. On both occasions?—A. I do not recollect exactly what I was instructed to do, but I was not in the entire charge of this delegation. I was, I fancy, told to do my best to make everything as agreeable for them as could be, and to satisfy them as to the various questions and information which they wanted, and I can testify to nothing more.

By the Hon. Mr. Watson :

Q. How did you proceed to do that?—A. I showed them round the office, showed them the large number of clerks we had there, the fine building we had, and the substantial condition of the company, as far as I could, and the circumstances required at the time.

By the Hon. Mr. Béique :

Q. And fed them as well as you could?—A. No, the entertaining was done by some one higher up.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Can you state shortly what this article, or whatever you call it, is—what was the object of it?—A. This is the first draft of the article.

Q. What article?—A. An article which I prepared in answer to the question of the Pittsburg committee, how many changes have been made in the rates since the organization of this society, and what they were.

By the Hon. Mr. Watson :

Q. Did you make a subsequent one—you say this is the first?—A. I made a complete article from this. So far as I recollect, the article which was sent to the Pittsburg committee was an exact copy of this article with corrections, and was handed by me to President Burnham, and as I understand it, sent by him with his letter answering other questions to the Pittsburg people.

By the Hon. Mr. Sullivan :

Q. Did you see the letter that President Burnham sent?—A. I did not.

Q. You do not know what he wrote?—A. I do not.

By the Hon. Mr. Béique :

Q. What are these erasures?—A. All the parts marked with blue pencil were left out of the final article.

Q. Was that a criticism of the working of the company?—A. It was an article the purpose of which was to satisfy the members of the Pittsburg committee that the reapportionment which had been made was sufficient to meet all losses in future without further increase.

By the Hon. Mr. Sullivan :

Q. Was it written truthfully and without reservation?—A. It was written truthfully and without reservation.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You said that, in your opinion, if the affairs of the company had been honestly and economically managed, the original rates which were charged in 1889 would have been sufficient to pay all the death losses, did you not?—A. I so stated.

Q. In what respect were the members not treated fairly, in your opinion, and from your knowledge?—A. It was a gross injustice to the members of the association to place them in separate classes, as was done.

Q. Explain what that separation meant, and what was done, and when?—A. The first policy that was issued by the association was called the fifteen-years plan, and all the business done by the association was written by that plan up to the year 1890,

when the ten-year distribution deposit plan was adopted, and from that date no new business was written on the fifteen-year plan. Business was written on the ten-year plan up to 1895 or January, 1896, when another new form of policy, called the five-year distribution option plan, was adopted and a new ten-year deposit plan. When the reapportionment of rates was made on all members who entered the association prior to 1890—that is, the fifteen-year members—were all reapportioned, and no others.

Q. And their rates were increased, you say?—A. And their rates were increased. Then, about the year 1897, if I recollect rightly, the first real official act in setting aside the fifteen-year members in a class by themselves was made, when data was furnished to show that they had not contributed the full amount which was required to pay the losses in that particular class, and from that date on this particular class has stood by itself.

By the Hon. Mr. Béique:

Q. What class?—A. This fifteen-year class, to provide from their own resources all moneys required to pay the losses chargeable to that class. The injustice done in that action is very evident. That was just the same as if you had started an assessment life association with no capital, with no means of providing for the payment of losses other than assessments and stopping taking in more business in that company without consulting the members, and by that action utterly destroying the security for the payment of the claims of the last man or the last men in a company so conducted. It is a well-understood fact, understood by all men who understand life insurance, that an influx of new business tends largely to keep down the death rate, and consequently to decrease the cost of insurance, because in a company doing a fair amount of new business there is not only the advantage of the new blood that comes into the company, but there is also the advantage of a considerable amount which the company gets from men who lapse out of the company, men who have kept up their policies for five, six or more years and go out of the company, leaving whatever they have contributed as a benefit to the company to be used in paying death losses. Then, another injustice arising out of that was that, of course, the rates had to be enormously increased on this fifteen-year business, increased to such an extent that if the principle is carried out to the fullest extent, when the company is reduced to two men, one will be looking at the other, and they will say, 'If you go first, I will have to pay all your claim, and there will be nothing to pay my own with whatever.' Not only did they separate these fifteen-year members into a separate class, but they, during the years of 1891, 1892, 1893, 1894, and so on, had a large income from expense dues contributed by these fifteen-year members, which was used to help to build up another and a separate class from them, and then in the year 1895 or 1896, whatever time they were entirely separated, and took from those fifteen-years members the best lives belonging to that class and placed them in another class, leaving the remnant of the fifteen-years members still more impaired than they would have been if that action had not taken place.

Q. In what other class?—A. The five-year plan, the ten-year plan, and so-called whole-life plan.

Q. Was it not open to all members of the fifteen-year class to adopt the five-year plan?—A. It was.

Q. It has been stated by other witnesses here that the five-year plan was better, from the insurance standpoint, was more conservative than the fifteen-year plan. I should like to know whether you agree to that statement?—A. In my opinion, the five-year plan was not as desirable a policy as the fifteen-year one was, from the policy-holders' standpoint.

Q. But from the company's?—A. Not from the company's standpoint, was it any more desirable than the fifteen-year plan.

Q. You differ from Mr. Wells. You heard his evidence on that?—A. I did.

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Q. And you heard Mr. Eldridge's evidence?—A. Yes.

Q. And you differ from them?—A. Yes, and I will give my reason, if I may. For example, the data furnished by the experience of life insurance companies shows that the average age at entering among insured lives for the past, I might say, century, has varied between thirty-four and thirty-five years—that is the average age of entry. The amount which a member insured on the five-year plan would contribute for death losses, after deducting expenses, is less than a man insured on the fifteen-year plan in 1899 contributed for the payment of death losses from the commencement of his policy, it being a fact that the average age of entry is thirty-four to thirty-five years. It follows that the average income for mortuary losses or for expenses would be as of age thirty-four or thirty-five, and consequently be working out of the company, if I understand the basis, would in reality, from a large experience, get less money on the five-year plan than it would on the original fifteen-year plan, as members paid in 1899.

By the Hon. Mr. Lougheed:

Q. That is, if they had a fixed rate on the fifteen-year plan?—A. In preparing that table, Mr. Eldridge furnished a mathematical demonstration that it would carry the policy forty years and leave a large surplus at that time.

By the Hon. Mr. Béique:

Q. When did Mr. Eldridge prepare that table?—A. He prepared it after having made the reapportionment of rates on the fifteen-year members in 1895.

Q. And it came to your knowledge?—A. It is in the agents' manual here.

Q. Do you disagree with the statement he made then?—A. I was not consulted at all.

Q. Did you think it was wrong at that time?—A. No, that was one of the reasons at that time why I thought that the rates were amply sufficient. I took it for granted that Mr. Eldridge thoroughly understood the whole matter and he had information which I had not.

Q. And now you think you have found that he was in error?—A. No, I do not. I still maintain that with strict economy, careful selection of risks, and honest and fair dealing, it would have been sufficient.

By the Hon. Mr. Lougheed:

Q. You said a moment ago with reference to the fifteen-year plan they took the better risks out of the fifteen-year plan and put them under the five-year plan, thus impairing the remainder of the risks?—A. Yes.

Q. In what way did they manage to differentiate between the good and the bad under the fifteen-year plan? In what way would they have personal knowledge to discriminate in that way and make a selection?—A. As a rule, life insurance men have some intelligence and they would not make any desperate effort to get a man who was about to die to go on this plan.

Q. But the policy-holders were scattered over the whole continent. How did they manage to do that by a preconcerted method? Did they instruct each of their agents?—A. They sent out agents, paying them a commission, to go among those fifteen-year members; agents having a list of members went among those fifteen-year members and offered them inducements to change from the fifteen-year plan to the five-year plan, and to my certain knowledge those agents represented that at the end of five years a man taking that policy would be paid the whole face of the policy, as an inducement.

By the Chairman:

Q. Is that to your knowledge?—A. I know of several cases where that was done.

PATTERSON

By the Hon. Mr. Lougheed:

Q. Did they go to all the parties insured under that system? Were they instructed to go everywhere among the policy-holders?—A. They went everywhere, I presume.

By the Hon. Mr. Béique:

Q. The opportunities were equal. They were interested in securing as many changes as possible. The more they induced to change the plan, the greater their commission?—A. Yes, but do you not see that a man who was in ill-health would not be likely to change from a lower policy to a higher policy, even with any inducement that might be made to him.

By the Hon. Mr. Lougheed:

Q. What you mean to say is that it was simply the logical sequence of what they did. By your statement you left in my mind the impression that there was a pre-concerted arrangement by which they were to make that selection from the fifteen-year class to the five-year class, but what you now state shows that it was the logical sequence of the general instructions they got?—A. I did not intend to convey the impression that the Mutual Reserve Fund Life Association sent out men and said "now go and get the very best men out of the fifteen-year class and leave the rest."

By the Hon. Mr. Béique:

Q. Do you suggest that the list of members to whom they were to apply was prepared in that way?—A. No, I have not the slightest doubt—

Q. In the working out of the system those who are in ill-health are not likely to consent to be converted from one plan to the other?—A. Yes.

By the Hon. Mr. McMullen:

Q. You stated a moment ago that a list of those that were in for the fifteen years were handed to those that went out to seek applications for the five-years plans. When those returns were made and applications were received to be put into the five-year class, had not that application to come before the board in New York and be sanctioned by them?—A. Certainly that would be the usual course.

Q. In sanctioning these applications if the board at New York rejected a man at fifty-five or fifty-eight and they had his policy and know everything about him, that man simply remains in the fifteen-year class where he was?—A. So I understand.

Q. The officers at New York, under those conditions, had an opportunity of picking from the lists that were sent in, the choice applicants out of the fifteen-year class and putting them in the five-year class, and they rejected those that they thought it would not be well to put into the five-year class. Had they not an opportunity of doing that? As a matter of fact did they reject it?—A. I do not think so.

Q. You think they furnished them with a list of all the fifteen-year members?—A. Yes, I think they did, and went out indiscriminately.

Q. You do not know whether any were rejected by the board at all?—A. I do not know.

By the Chairman:

Q. Would the agent have any object in getting the fifteen-year men to go into the five-year class?—A. Certainly—commission.

By Mr. Coster, K.C., Counsel for the Committee:

Q. As a matter of fact when the ten-year class was founded no further business was put into the fifteen-year class, and when the five-year was founded no further business was put into either the ten-year or the fifteen. That is what I want to get at.—A. When the ten-year class was formed in 1890, the first ten year, the agents were instructed to write no further business on the fifteen-year plan.

PATTERSON

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Q. And when the five-year plan was founded, in 1897, what were the agents instructed them to do—to write no further business on the ten-year plan?—A. No. A new ten-year policy was gotten with the rates even lower at some ages than members had contributed on the fifteen-year plan in 1888 and 1889.

Q. Have you any reason for thinking that in the opinion of the president of the company, we will say, that the result would be to freeze out these fifteen-year men?—A. I heard the president, Mr. Burnham, saying, in speaking of the result of the apportionment of rates, that it had the effect of getting rid of a large number of old members. I think I heard several other officers—I do not name them—make the same statement. That was the result.

By the Hon. Mr. Lougheed :

Q. But at the time of its adoption, was it introduced for that purpose, as far as any statements of leading officers of the company were concerned?—A. I do not think so.

By the Hon. Mr. McSweeney :

Q. That was the result?—A. Yes, that was the result, but the reapportionment was a necessity under the conditions which then existed.

By Mr. Coster, K.C., Counsel for the Committee :

Q. That is all you want to say about that?—A. I think that is about enough.

Q. What was your position with the Mutual Reserve in 1895?—A. I was corresponding secretary and private secretary to the late President E. B. Harper.

Q. I should like you to state the circumstances under which you severed your connection with the company as shortly as you can?—A. Several months after the reapportionment of rates had been made, in 1895, there appeared an advertisement in the New York daily papers: 'Meeting of dissatisfied policy-holders to be held in the Equitable Building, New York; none but dissatisfied policy-holders will be admitted; bring certificates or receipt of last mortuary call.' That was the advertisement, as far as my recollection goes.

By the Hon. Mr. Watson :

Q. What company?—A. The Mutual Reserve Fund Life Association. President Burnham called me into his office and called my attention to this and asked me to attend that meeting and do what I could to reconcile the policy-holders and have them endorse the reapportionment of rates and action of the management. I replied that the meeting was for dissatisfied policy-holders, that none but dissatisfied policy-holders would be admitted. Mr. Burnham replied that that was nothing, I could go and represent that I had been dismissed from the employ of the company and wished to get even with them. I replied that I could not make that statement unless he made it true and dismissed me, and he argued the question that it was the duty of any officer or employee even to lie if it would be in the interests of the company, and I replied that I could not and would not be guilty of stating a falsehood to gain admission to any meeting, and he pressed upon me that it was all right, 'You need not mind about it. You need not bother about it,' and I afterwards learned that an agent of the Mutual Reserve Fund Life Association—

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. From whom did you learn it?—A. From an agent of the Mutual Reserve by the name of E. Randolph Taylor. He attended a meeting of dissatisfied policy-holders and succeeded in having himself appointed chairman of a committee to visit the president and to get information as to why the reapportionment had been made, and other such information. That committee went through the farce of visiting the president's office and made a report.

Hon. Mr. BÉRIQUE.—That has nothing to do with the dismissal of the witness.

PATERSON

Mr. COSTER.—I think it has to do with it.

Hon. Mr. BÉIQUE.—To my mind—and I have had some experience in legal matters—this is not evidence at all. It is simply hearsay.

By the Chairman:

Q. Are you personally aware of the fact that this committee visited the president?
—A. Mr. Taylor consulted.

Q. The only item of hearsay is, that you heard Taylor went there? Then, the evidence as to facts you have given us, you say Taylor got there, did you?—A. I did not.

Q. He consulted you?—A. Yes. As a result of my refusal to attend this meeting of dissatisfied policy-holders, things were made rather uncomfortable for me. Correspondence that I had heretofore attended to was withdrawn, and I was finally removed from the position of corresponding secretary to the agency department and given a commission contract to go and solicit business as an ordinary agent. I went by instructions of the company for a month and visited one or two special agencies, during which my salary was continued, and at the end of that time I left the company.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You resigned, did you?—A. Yes, practically resigned, just left without saying anything about it, without formally tendering my resignation.

Q. You did not go back?—A. No.

Q. Was a suit commenced against you by the company?—A. I was sued by the company.

Q. Have you the bill of complaint which was served on you in that case?—A. I have.

Mr. COSTER.—I wish to put in the bill of complaint, if the Committee will permit me. This is an action for \$50,000 brought by the company against him for libel in 1900.

By the Hon. Mr. McMullen:

Q. When did you leave?—A. 1896.

Q. And this is some four years after you left?—A. Yes.

By the Hon. Mr. McSweeney:

Q. Did the company pay the costs?—A. They did.

By the Chairman:

Q. Can you not state in a few sentences what the nature of the libel was and what the charges against the company were?—A. The article appeared in 'The Counselor' of January, 1900.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Were you the publisher of that?—A. Publisher and proprietor, and when it appeared in galley form—I wrote the article myself. That article charged Mr. Burnham, the president of the company, and Mr. Eldridge, vice-president of the company, with having misappropriated the funds of the company, with having unfairly treated the members of the association, with having taken money under the Harper contract, which the documents of the association showed was an illegal contract. The article was made up of the charges filed in the New York Insurance Department and of the petitions made by policy-holders to the Attorney General. I got my information largely from these documents and summarized it in this article.

By the Chairman:

Q. These are the charges you made against the company?—A. They are.

PATTERSON

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Q. And when the charges were published, what did they do to you?—A. They brought suit against me for libel and arrested me, demanding \$50,000.

By the Hon. Mr. Béique:

Q. You entered a defence to the suit, I suppose?—A. Through my counsel I had the case placed on special preferred calendar, and it came up for trial a short time afterwards, and I, through my counsel, answered that I was ready for trial, pleaded for trial. That happened three or four different times, extending over twelve or fifteen months, and all that I could do I could not get the case to trial.

By the Hon. Mr. Wilson:

Q. You were imprisoned? You had to give bonds to get out of prison?—A. I did not get into prison at that particular time.

Q. You were arrested?—A. Yes. The bail was \$10,000.

Q. Were you allowed your liberty, or did they restrict you?—A. I was arrested, but not taken to jail.

Q. Brought to the court-house?—A. No. I was in charge of the deputy sheriff.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You gave bail for \$10,000?—A. Yes, and a month afterwards the court reduced it to \$400.

By the Hon. Mr. Béique:

Q. And finally they discontinued the suit and paid the costs?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. State what happened, as shortly as you can? You tried to get the case on, and what happened?—A. Finally, the case was ordered for trial by the court.

Q. Peremptorily?—A. Peremptorily, for the first Monday in October, I think, and shortly before that, probably three or four weeks before that, negotiations were opened. I should say, in the meantime I had sued the company for \$15,000, and negotiations were opened with a view to settlement of this suit, and finally the case was settled and they paid the \$5,000 and withdrew all the suit and gave me a discharge.

By the Hon. Mr. McMullen:

Q. Did they pay the costs?—A. Why, of course.

Q. Did they give you \$5,000 and pay the cost of the proceedings?—A. No, they did not. They gave me \$5,000, and I paid my own costs.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Your suit was for false imprisonment?—A. It was false imprisonment in the case of a criminal action which they also brought against me, on which the magistrate discharged me.

Q. Anyway they paid you \$5,000 and withdrew the suit?—A. Yes.

Q. You tried to get this suit on many times and could not do it?—A. I could never get it tried.

Q. And you never did?—A. No.

Q. And when the case was ordered on for trial peremptorily they would not go on?—A. No.

Q. How was that \$5,000 paid to you?—A. It was paid to me by my counsel.

Q. How was the money paid to you? Cash or cheque?—A. I have a copy of the cheque here.

By the Hon. Mr. Béique:

Q. A cheque of the company?—A. No, not a cheque of the company, but a cheque out of which the \$5,000 proceeds came to me.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Is this a photograph of it?—A. Yes. It is signed James Schells & Elkiss.

By the Hon. Mr. Béique:

Q. Who were they?—A. Counsel for the Mutual Reserve in those suits.

Q. A cheque of their counsel?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You have spoken about statements having been made by the company to the public which were not correct, I think. You said that they have made false statements. This also mentioned that as one of the libels that you committed. The matter of the delinquent business—what do you know about that?—A. When all of the official reports to the various insurance departments, in the official reports made to the members at the annual meetings, in the balance sheets and financial statements, sent to the members, in the advertisements and in one case in the agents' manual a large amount of business was—

By the Hon. Mr. Lougheed:

Q. Have we not some documentary evidence of this?—A. A large amount of business was reported as insurance—

Hon. Mr. LOUGHEED.—It seems to me we should adhere as closely as possible to the rules of evidence. There must be documentary evidence of this.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You say that the delinquent business was reported to the department as being in force?—A. That is correct.

Q. In the State of New York?—A. Yes.

Q. And what did they do in other states?—A. The same in other states.

Q. That is all you have to say about it?—A. Practically all.

Q. This is an extract from the report of the different insurance departments, is it not?—A. It is.

Q. State shortly what the result of that statement is?

Mr. GEOFFRION.—What has a report to one of the States to do with the position in Canada of the Mutual Reserve?

The CHAIRMAN.—That matter has been decided by us.

By the Hon. Mr. Béique:

Q. State the effect of it and the object?—A. The object is to show that in the published literature of the company the income, assets, disbursements, and the insurance in force was grossly overstated as compared with their sworn statement to the Insurance Department of the State of New York. The statement reads as follows:

Exhibit No. 34. 12-7-04.

		<i>Income.</i>	
Sworn Report Ins. Dept. N. Y. Dec. 31, 1899.			Dec. 31, 1900.
		\$5,192,030 21	\$5,333,969 80
Exhibit No. 10a..		5,813,494 96	
		<hr/>	
Overstated by..		\$621,464 75	
Exhibit No. 10b..		\$6,000,000 00	
		<hr/>	
Overstated by..		807,969 79	
Exhibit Nos. 10c, 10e, 10f & 10g			\$8,000,000 00
			<hr/>
Overstated by..			\$2,666,030 20

the \$1,000 interpreting the written contract, but that we reinsured \$750 as of September 1, 1900.

(Part 2, page 64. June 17, 1904.)

'The New York Insurance Department ruled that under the New York law anything received as representing the reserve other than cash could not be included in the income or could not be included in assets because they had no authority to include under liabilities and reserve against assessment policies. They, therefore, excluded this item entirely of those liens from schedule of assets.'

(Part 2, page 17. June 21, 1904.)

The data in the sworn report is for the year December 31, and the date in the circular is for the year ending December 31, and they should both be the same.

By the Hon. Mr. Lougheed :

Q. Would both statements be made contemporaneously?—A. I think so, but not necessarily. It would embrace the same time.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You say, according to the exhibits that are referred to in this statement, that the insurance in force is overstated by \$24,000,000?—A. I do.

Q. You know no explanation of that?—A. In Mr. Eldridge's report to the members for the year ending December 31, 1900, he stated that the new business, the reinstated business, apart from the reinsured business was practically the same as the year previous, that is for the year ending December 31, 1900, which was \$22,000,000; and in his evidence before this Committee he stated that the actual amount which went on the books of the Mutual Reserve Fund Association from the North-western was between \$25,000,000 and \$30,000,000. If you grant the highest figures, \$30,000,000 added to \$20,000,000 makes only \$50,000,000 instead of \$64,000,000 as reported of new business revived business for the year ending December 31.

By the Hon. Mr. Béique :

Q. You are referring to Eldridge's evidence. Can you give us the quotation?—A. I am referring to the statement that there was \$225,000,000 of insurance in force. That is No. 2, page 43, which reads as follows:—

'The actual amount of business that went on the books from the North-western Life was somewhat between \$25,000,000 and \$30,000,000.'

Q. What year was that?—A. 1900. Then, again, at pages 19 and 20 of the annual report of Mr. Eldridge which is in evidence—Mr. Eldridge's report to the annual meeting I am referring to—

Q. On the face of this it does not appear as if Mr. Eldridge was speaking of 1900?—A. Speaking of the reinsurance of the North-western, and that was in 1900.

Q. He was speaking of one item of the business of the company?—A. He was speaking of the amount they received from the North-western.

Q. Explain that?—A. Thirty millions of business reinsured from the North-western and twenty-two million of new business, reinstated business only fifty-two million, whereas according to the sworn report there was new business to the extent of sixty-four million that year. Then the circular which is an exhibit, states that the total paid for business in force was \$225,000,000. The total business in force at the end of the year prior to 1900 was \$173,000,000. Add \$50,000,000 to \$173,000,000 and it makes \$223,000,000 at that time, but during the year 1900, \$48,000,000 of new business terminated by lapse and otherwise, and it is fair to assume that at least three-quarters of it had gone off before September, 1900. That would leave at that particular time less than \$220,000,000 of business actually in force.

Q. Instead of?—A. Instead of \$225,000,000.

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Q. Do you claim that their sworn report was incorrect?—A. I do.

Q. To the extent of how much?—A. No, that is not what I necessarily claim—yes, I do claim that; the facts show that according to Mr. Eldridge's testimony there could not have been \$64,000,000 of reinsured business that year.

Q. Let us take the official report as made to the Insurance Department. Do you claim that that official report was incorrect?—A. In my opinion it is not correct. The business was overstated.

Q. And your opinion is based on the figures which have been stated by Mr. Eldridge?—A. And the figures contained in the annual report for the previous year.

By Mr. Coster, K.C., Counsel for the Committee :

Q. On the bottom of this statement there is a little memorandum with reference to the North-western liens. Explain that to the Committee as shortly as you can.—A. This is also taken from Mr. Eldridge's evidence No. 2, page 64, given June 17, 1904, as follows :—

'When the company was in 1902 examined by the New York Insurance Department for the purpose of reincorporating, the question was taken up between the company and the department, and the department decided that what we reinsured was the net amount of the insurance as of the date when the contract went into effect. That is, if the policy originally was \$1,000 with a lien of \$250 on it, we did not reinsure the \$1,000, interpreting the written contract, but that we reinsured \$700 as of September 1, 1900.'

That being true, the reinsurance from the North-western was reduced practically by the whole \$8,000,000 of liens on the policies, they being simply consents given by the policy-holders to reduce their insurance to that amount, and were, therefore, not in force as insurance.

Q. And yet you say it was stated as being in force?—A. It was reported as being in force.

Q. It was insurance in force?—A. It was not, in my opinion.

By the Hon. Mr. Lougheed :

Q. It is said it could not be considered gross insurance, but net insurance?—A. The net insurance was the amount after all the liens were deducted.

Q. Were both terms used in the statement to which you refer, or either term?—A. In the statement?

Q. Yes?—A. As to the term 'net' in contradistinction to gross; why did they use the word gross?—A. I cannot explain.

By the Hon. Mr. Béique :

Q. Do you know why they make a difference between the net and the gross?—A. They never allowed at any time liens either as an income or in any other way prior to 1902.

Q. So that they make a distinction. They reduce it to the net. They make it the net amount, and not the gross?—A. This testimony of Mr. Eldridge relates to the action of the New York Insurance Department two years or nearly two years after the reinsurance of the North-western.

The Committee then adjourned until 8.15 p.m.

At 8.15 p.m. the Committee resumed, and the examination of the said witness was continued, as follows:—

By the Hon. Mr. McMullen :

Q. You gave us this morning a comparison between the New York Mutual Reserve Life and the Bankers' Mutual Company, of Des Moines. I asked you, when the meeting was over at one o'clock, if you could give us a comparative statement of the income and the expense per thousand of these respective companies. That statement you have prepared, have you not?—A. I have.

Q. I find that in the year 1896 the income of the New York Mutual Reserve Fund Association was \$5,858,476.97, and the expenses were, per thousand, \$272.46. The same year the income of the Bankers' Life Association was \$950,727.69, and the expenses per thousand, \$190.54. Is that correct?—A. That is correct.

Q. Now, we will take the next year, 1897. The income of the New York Reserve Fund Association was \$6,081,309.87, and the expenses per thousand, \$296.06. The same year the income of the Bankers' Life Association was \$1,172,695.90, and expenses per thousand, \$151.09. Is that correct?—A. It is.

Q. Then, take 1898. The income of the Mutual Reserve Fund Association was \$6,134,327.27, and the expenses per thousand, \$292.09. The same year the income of the Bankers' Life Association was \$1,317,376.40, and the expenses per thousand, \$153.55. Is that correct?—A. It is.

Q. Then, in 1899, the income of the Mutual Reserve Fund was \$5,192,030.21, and the expenses per thousand, \$263.36. The same year the income of the Bankers' Life Association was \$1,505,025.40, and the expenses per thousand, \$146.77. Is that correct?—A. It is.

Q. In 1900 the Mutual Reserve Fund Association had an income of \$5,333,969.80, and the expenses per thousand were \$245.09. The same year the income of the Bankers' Life Association was \$1,639,939.51, and the expenses per thousand, \$134.80. Is that correct?—A. That is correct.

Q. In 1901 the income of the Mutual Reserve Fund Life was \$6,700,222.38, and the expenses per thousand, \$264.82. The same year the income of the Bankers' Life Association was \$1,577,270.44, and the expenses, \$151.68. Is that correct?—A. It is.

Q. Then, the last year in the statement is 1902. That year the income of the Mutual Reserve Fund Association was \$5,025,862.99, and the expenses, \$334.91. The same year the Bankers' Life Association had an income of \$2,121,228.90, and the expenses were \$191.90. Is that correct?—A. It is.

Q. The average expenses of the Bankers' Life Association, which did less business, and had a less revenue, averaged a little more than one-half the expenses of the New York Mutual Reserve Fund for the years 1896 to 1902, inclusive. Is not that so?—A. It is.

Q. Now, that goes to show that the expenses of management of the New York Mutual Reserve were very nearly double the expenses of the Bankers' Life, of Des Moines, and we are anxious to find out where the money has gone. Then, I find, under the heading 'Premium note account, 1902,' the following:—

'In the income of the Mutual Reserve Fund Life Insurance Company for the year ending December 31, 1902, page 8 of the sworn report to the Insurance Department of the State of New York, there is \$608,004.35 of premium notes. Consequently, the actual cash income for the year 1902 was only \$4,417,853.64, being \$2,282,368.74 less than the cash income for the year ending December 31, 1901.'

Are you prepared to say that that is correct?—A. It is correct.

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Q. 'In the year 1902 the Mutual Reserve Fund Life Insurance Company expended \$381.01 in management to each \$1,000 of its cash income, instead of 334.91.' Is that right?—A. Of their cash income.

Q. Then for that year if they spent \$381.01 to each \$1,000 of actual cash income, they spent nearly double the amount per thousand that the Bankers' Life Association expended—is that right?—A. It is.

By the Hon. Mr. Lougheed:

Q. Are those figures taken from the government returns?—A. They are taken from the annual statement issued by the Insurance Department of the State of New York, and from the sworn statements of the New York Mutual Reserve Fund Life Association.

Q. As far as it affects their entire business, or only the business done in the State of New York?—A. The entire business.

By the Hon. Mr. McSweeney:

Q. You stated that the Mutual Reserve Fund paid you \$5,000 to settle that suit, did they not?—A. They did. They paid it through their counsel.

By the Chairman:

Q. What was that \$5,000 paid for? What was the nature of your charges?—A. I charged the company with—

Q. Did you put those charges in writing?—A. I published them in the 'Counselor,' a paper of which I was the editor and proprietor.

By the Hon. Mr. Lougheed:

Q. As I understand, this \$5,000 was paid in settlement of your action for false arrest. It has nothing to do with those charges in the journal?—A. It had all to do with them.

By the Chairman:

Q. There seems to be a misunderstanding with regard to your evidence this morning. Some members of the Committee are under the impression that you were paid the \$5,000 to settle the action for \$50,000 against the company—is that true?—A. That is not true.

Q. Have you the document on which you were paid \$5,000 to allow the suit to drop?—A. I produced it this morning.

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NEW YORK SUPREME COURT,
STATE OF NEW YORK, COUNTY OF NEW YORK.

The Mutual Reserve Fund Life Association,
Against
John Thomson Paterson, whose first name to
the Plaintiff is unknown and who is herein
designated by the fictitious name of John.

} Affidavit for order of arrest.

CITY AND COUNTY OF NEW YORK ss:

Camp

being duly sworn says, that he is the secretary of the plaintiff corporation which is a corporation organized and carrying on business under the laws of the State of New York, for the purposes of insuring the lives of persons.

That in a newspaper, published monthly and circulated in the city of New York, known as 'The Counselor,' in its issue of January, 1900, there appeared the following articles:—

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at the times hereinafter mentioned and for about twenty (20) years last past, has been and is now carrying on said business in said state and elsewhere.

Fol. 2.—11. That on or about the first day of January, 1900, the defendant maliciously composed and published concerning the plaintiff and the officers of the plaintiff, in a newspaper called "The Counselor," at the Borough of Manhattan, in the city of New York, the following false and defamatory statement, to wit :

' A TERRIBLE ARRAIGNMENT.'

Fol. 3.—' Attention is called to our arraignment of the president and management of the Mutual Reserve Fund Life Association, in this issue, our object in writing it being to impress upon the policy-holders of the association the pressing importance of a united effort to save it from bankruptcy by the removal of the present management. Policy-holders and others who are actuated by the same motive as we are, can have all the copies of this article in pamphlet form which they want, at actual cost, viz.: 100 copies, \$1.25; 500, \$6; 1,000 copies or over, one cent per copy or \$10 per 1,000. Sample copy, 4 cents.

MUTUAL RESERVE FUND LIFE ASSOCIATION.

Fol. 4.—' Having devoted the best years of our life in advocating the advantages of the system of life insurance upon which the Mutual Reserve Fund Life Association was originally conducted, and being conscious of the duty which we owe to its policy-holders, it is with deep regret that we express the opinion that unless a change of management can, in the near future, be effected, a bankruptcy must inevitably result.

Fol. 5.—' That no financial enterprise, however sound in principle, can long continue to prosper which is conducted by men who have little or no regard for truth and are honest only in so far as the law compels them to be so, is proved by the failure of scores of life insurance companies, building and loan associations, banks and other financial institutions, through which millions of dollars of the people's money have been lost, squandered or stolen by those who betrayed the confidence reposed in them by a confiding public.

Fol. 6.—' That the President of the Mutual Reserve Fund Life Association, and those who are *immediately associated with him* have not a high regard for truth and that integrity of purpose essential to the well-being and success of a large financial institution, is evident from the following facts :

' First, that President Burnham and his associates have made misleading statements to policy-holders and their committees, and have, by making false entries in the books of the company, concealed from policy-holders and the examiners of insurance departments the real purpose for which money has been expended.

' Second, President Burnham being sued for the payment of a debt, filed a demurrer to the complaint *which demurrer was not allowed*, the court practically holding that *the discharge of the debt had been obtained by fraud*.

Fol. 7.—' The following are the exact words used by Judge Scott, in special terms, Part III., June, 1899, in the case of Moton D. Moss vs. Frederick A. Burnham, in an action brought by the said Moss to recover the sum of \$36,000 :

Fol. 8.—' Where a person effects a compromise of a debt admittedly due by him, by fraudulent representations and procures a discharge by paying another a part of the amount due, and an action is brought to recover the balance, and void the discharge by reason of fraud, it is not necessary, as a preliminary to the right of recovery that the plaintiff repay the amount received, for, in such a case the plaintiff is entitled whether he succeed or not, to the amount he has paid. This precise case is presented here. The demurrer admits the original indebtedness of defendant to plaintiff for a much larger sum than he has paid.'

Fol. 9.—' Third, a committee of policy-holders from Pittsburg, Pa., spent three days in the offices of the Mutual Reserve Fund Life Association, and to this com-

mittee, we being present, President Burnham and Vice-President Eldridge showed what they represented to be the original contract made with the late E. B. Harper, by which he was allowed renewal commission 20 cents on each \$1,000 of insurance in force on the 31st of December of each year, and positively stated that the contract was binding upon the association, *it having been made prior to Mr. Harper's election as a director and president*. As an evidence that what we state is correct we herewith produce the following from the report of the committee:

Fol. 10.—'President Burnham answered the queries of the committee with a fulness and alacrity that we scarcely expected. He seemed to be glad of the opportunity to give to the policy-holders a statement of facts relative to the business of the company, and showed to them a true account of his stewardship of their interests. He gave a copy of the Harper will and showed the committee a contract of commissions made with Mr. Harper by the company, whereby he and his heirs were to receive 20 cents per \$1,000 for all insurance written from that date.

Fol. 12.—'This contract was made with the company prior to his becoming president of the association, and continued during his life, and by the terms of contract to continue during the continuance of the association, on the margin of which was written by Mr. Harper, the limitation of the terms of commission to all business done during his lifetime.' He also gave releases each year for one-third of the amount accruing from such commission. Whatever responsibility attaches to the contract made has not been incurred by any officer of the company. Whenever such policies expire the commission ceases, but so long as the policies or renewals of the same remain in force the commission accrues to his legatees.

Fol. 13.—'The report of the Pittsburg committee was published in President Burnham's annual report, and was signed by 'Alexander Demster, Chairman, Cadwallader, Evans and by Howard Morton, Committee.' The report was mailed to policy-holders in February, 1896.

'Shortly after the death of the late E. B. Harper, in an effort to obtain a settlement with his legatees, Mr. Burnham, according to announcements in the daily press, caused a "friendly suit" to be brought by them in the Supreme Court of New York, the Mutual Reserve being the defendant, and in its answer, which is now a part of the court record, among other things, alleging as follows:—

Fol. 14.—'Alleges on information and behalf that pursuant to said constitution as so amended the said Edward B. Harper was elected president for one year, and was thereafter annually elected such president until July, 1895, but at all of said times respectively the term of his office was one year only, and no longer, and his salary was each year duly fixed by the executive committee of the defendant association in accordance with its constitution and by-laws, and was duly paid him in full.

Fol. 15.—'Alleges on information and belief that the said Edward B. Harper was a member of the defendant association and had no right to make the agreement alleged, or intended to be alleged, in the complaint, by the performance of which agreement a portion of the annual dues would be diverted from their proper use for his benefits. Denies upon information and belief that any board of directors, or any officers of the defendant association ever at any time had any right or authority to dispose of the future earnings or income of said association in the manner and for the purposes in said complaint alleged, or to make the agreement alleged, or intended to be alleged in the complaint herein.

Fol. 16.—'Alleges on information and belief that said defendant has fully paid and discharged and performed and settled for every sum or sums of money due to the said E. B. Harper or his legal representatives, now or at any time or times any and every obligation now or at any time existing against it, which he or any of his legal representatives otherwise would or could have or have had against it, and it denies that it is indebted to the plaintiffs in any sum whatever.'

Fol. 17.—'To all of these allegations, made only a short time after this statement to the Pittsburg committee, President Burnham caused the following affidavit to be made by Chas. W. Camp, Secretary of the Mutual Reserve Fund Life Association;'

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Fol. 18.—‘Chas. W. Camp, being duly sworn, says; That he is the Secretary of the Mutual Reserve Fund Life Association, the defendant above named; that he has read the foregoing answer and knows the contents thereof; and that the same is true to his own knowledge except as to the matters therein stated to be alleged on information and belief, and as to those matters he believes it to be true.’

Fol. 19.—The above allegations and affidavit seems to prove that when President Burnham stated to the committee of policy-holders that the Mutual Reserve was legally bound to pay 20 cents on each thousand dollars of insurance in force under the Harper contract he stated that which was not true, and what is still more serious, Mr. Burnham at the time, or shortly before the above allegations and affidavits were made, received, in addition to his salary, large sums of money claimed to be due under the contract, and used it without accounting for it, and still continues to pay out the funds of the association to others, which amounts so paid are charged as commissions accruing under the contract, one payment alone being for \$38,000. The total claims to have been paid to one person already exceeds \$130,000.

Fol. 20.—Second Vice-President Wells, the treasurer, the Hon. John W. Vrooman and others, having protested against so large an amount being appropriated by the president in addition to his salary, Mr. Burnham caused the following resolution to be adopted by the board of directors:

‘Resolved, That all payments heretofore made to the president from the contingent fund established by resolution of the board, dated February 19, 1896, and the expenditures and disposition thereof be and are hereby in all respects approved, confirmed and adopted.’

Fol. 21.—‘As the above resolution was adopted August 10, 1898, it appears perfectly clear that President Burnham continued to draw money’s under the Harper contract. For at least fourteen months after he caused the allegations and affidavits to be made to the Supreme Court, which allegations and affidavit show that no moneys whatever could legally be paid under the Harper contract.

Fol. 22.—The fact that Mr. F. A. Burnham was the attorney who drew up the will of the late E. B. Harper, and which provided that in the event of his not being elected president, one-third of the renewal commission due annually under the Harper contract was to be paid to him, should not be overlooked, and it seems to show that he must have known all the particulars relating to it. Those of us who still revere the name and memory of the late E. B. Harper remember with horror the unseemly haste in the election of his successor; the facts being that in the afternoon of the same day Mr. Harper died, Mr. Burnham being chairman of the executive committee, called a *special meeting* of the directors and had himself elected president.

Fol. 23.—Realizing that the amount which under any pretext could be handed over to him under the contracts is rapidly *growing smaller by reason of this discontinuance of the policies written prior to the death of the late E. B. Harper, and being anxious to have his income remain at as large a figure as possible*, Mr. Burnham caused the following resolution to be passed by the board of directors :—

Fol. 24.—Resolved, That no further payments be made from the said contingent funds, and in lieu thereof the executive committee be and is hereby instructed to place upon the pay-roll of the association the sum of \$200 weekly, to be drawn and receipted for by the president, in addition to the salaries from time to time fixed and established and paid to him, which weekly sum of \$200 shall constitute a contingent fund to be used and expended by him without accounting therefor, and in his sole discretion, and to that end, that the sum, as well as the amount heretofore drawn, be regarded as an addition to his compensation.

We call the attention of the policy-holders of the Mutual Reserve to one or two facts indicated by the above resolutions, viz.:

Fol. 25.—(a.) That *it clearly shows* that the board of directors, being *selected and elected* by President Burnham, he holding the proxies, *are directed by him and*

always do as he directs. This is the only explanation which can be given of a transaction so outrageously illegal and unjust to policy-holders.

(b.) That in passing the above resolution an attempt was made to legalize the sums illegally appropriated by Mr. Burnham under the so-called Harper contract.

Fol. 26.—Fourth, That President Burnham, finding it necessary to explain to policy-holders why ex-Postmaster General James, Treasurer Hon. John W. Vrooman, Vice-President and Chairman of the Executive Committee J. D. Wells, Assistant Secretary J. M. Stevenson, Auditor J. F. Hoeffcker and John Maclay, editor of the *Insurance Economist*, are not now connected with the association, has caused the statement to be circulated that they were dismissed from the services of the Mutual Reserve; and this in the face of the fact that all of these officials severed their connection by resignation and refused to allow their names to be longer associated with the present management, which resignations have been published in the daily press.

Fol. 27.—Fifth, Under the direction of President Burnham or some other officers or employee, blank forms for a special call, numbered 106, and dated September 1, 1899, were printed and a large number of them filled up and entries made upon the assessment registers in red ink, marked 'Special Call 106,' the amount due on the assessments being filled in, and yet in the face of all this, President Burnham, in a letter addressed to us, made the following statement:

Fol. 28.—'I will thank you to furnish me with the source of your misinformation. The Directors and Board of Executive Committee of the Association fix the times and amounts of the assessments, and neither body has directed that a special call be made on September 1, as you say you are informed, or even considered such action.'

Fol. 29.—The above was in answer to a letter which we addressed to President Burnham *remonstrating against* this special call being sent out, and also against the enormous sum of \$179,392.91, *having been expended* in cost of adjusting death claims, cost incurred in collecting assessments, etc., in the six months previous to September, 1899.

If the statements made in the above quotation from President Burnham's letter are correct, it is easy to see that he, and not the Board of Directors or Executive Committee, is the management.

Fol. 30.—That a special call was intended to be made on the 1st of September is either true or the Mutual Reserve is managed by a set of lunatics; otherwise how can we account for the blank forms having been printed, filled up, ready for mailing, and the entries made upon the Assessment Registers?

Fol. 31.—In addition to having denied, in the letter referred to, that a special call was to be made on September 1, President Burnham has allowed the positive statement to be made in the *Insurance Economist*, the official organ of the Mutual Reserve, and in other insurance journals, and by a member of the Agency Committee over his signature, that 'there never was any intention of making a special call.' In every paper and letter where it is denied that it was the intention of the management of the Mutual Reserve to make a special call, a false statement is made, and known to be so by President Burnham.

Fol. 32.—Sixth, In the year 1896, several months after the first reapportionment of the rates was made, Mr. F. A. Burnham called us into his office and requested us to attend a meeting of dissatisfied policy-holders which was to be held in the Equitable Building, instructing us that if objection was made to our presence we should state that we had been dismissed from the service of the company, and if we succeeded in getting in, to make an effort to influence the meeting and, if possible, get it to endorse the increase of rates as being absolutely necessary. It is needless to say that, notwithstanding the fact that Mr. Burnham argued that it was the duty of any officer or employee to lie, if the interests of the association required it, we refused

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to comply with his request, believing as we do that the man who deliberately lies is worse than a thief.

Fol. 33.—It is a matter of history that President Burnham succeeded in getting an agent of the association not only to lie himself into the meeting referred to, but also to have himself elected chairman of a committee of the same dissatisfied policy-holders, and a few days afterwards went through the farce of waiting on the president for an explanation of the increase in rates, &c. In the report made by this committee, as might have been expected, the management of the Mutual Reserve was not only endorsed, but highly commended for having increased the rates. The gentleman who so faithfully served President Burnham in this connection was Mr. E. Randolph Taylor, who in this paticular case passed off as E. Randolph, and a representative of one of the daily papers.

Fol. 34.—No one endowed with even ordinary intelligence can read the report of the Superintendent and Examiner of the Insurance Department of the State of New York in the recent examination of the Mutual Reserve Fund Life Association without being convinced that it is in a most critical condition, and that the management has laid itself open to criminal prosecution.

Fol. 35.—Thousands of dollars of the funds of the Mutual Reserve have been expended in an effort to counteract the evil effects of this report. Two prominent lawyers, Colonel James and Edward Lauterbach were each paid a retaining fee of \$5,000, and both went to Albany to urge the superintendent to modify his report. In almost every insurance journal carrying the advertisement of the association there appeared editorials commending the management and abusing the Insurance Department, which have been paid for either in the way of ordering special copies or as extra advertising.

Fol. 36.—We are sorry to be forced to say that in our opinion the superintendent has compromised himself, and to a greater or less extent detracted from the dignity of his department by failing to do his whole duty in this case.

Referring to the charges made against the management, he makes the following statements :—

Fol. 37.—‘The examiner was commissioned to make an examination of the association’s affairs. He confined his report to matters relating to its condition and did not go into the matter of the charges referred to, but derived the information embraced in his report from the books and records of the association.’

The charges referred to in the above extract were made and sworn to at the request of the superintendent by two trustworthy and respectable men, whose reputation for veracity was established beyond question long before President Burnham was connected with the Mutual Reserve, viz.: by ex-President and Chairman of the Executive Committee J. D. Wells and ex-Assistant Secretary J. M. Stevenson.

Fol. 38.—If the charges are false, it follows that both Mr. Wells and Mr. Stevenson are guilty of perjury, and yet the Superintendent of Insurance, who is supposed to be the guardian of the policy-holders of life insurance companies doing business in the State of New York, says that he ‘did not go into the matter of the charges referred to.’

Fol. 39.—In order that policy-holders may know to what extent the superintendent did his duty in this examination, we herewith enumerate the principal charges made and sworn to by Vice-President Wells and Assistant Secretary J. M. Stevenson, and which are still standing and not proved to be untrue, they are as follows:—

That President Burnham has illegally diverted to his own personal use and benefit the funds of the association;

That he illegally and fraudulently paid large sums of money to Moton D. Moss;

Fol. 40.—That he illegally and fraudulently released the said Moton D. Moss of indebtedness amounting to \$150,000;

That he illegally credited the said Moton D. Moss with over \$93,000 under the false pretence that it was due him;

That he has fraudulently diverted hundreds of thousands of dollars from the mortuary fund of the association;

Fol. 41.—That he borrowed from officers and directors of the association sums aggregating from \$20,000 to \$40,000, a part of which he paid back illegally out of the funds of the association;

That he illegally paid large sums of money out of the funds of the association to numerous lawyers for rendering him personal services;

That he swore to annual reports which were false and untrue;

That he fraudulently altered or caused to be altered the terms of certain contracts between the association and Moton D. Moss, by which the association suffered serious financial loss;

Fol. 42.—That he fraudulently used the pay-rolls of the association for his own purposes and to cover questionable transactions and to misappropriate the funds of the association;

That he holds the proxies of the members of the association and uses them for his own personal ends to appoint all directors and officers, and in this way he makes himself the embodiment of the management of the association.

Fol. 43.—If the superintendent did not go into these charges in the examination which he made, for what purpose, we ask, did he make the examination? If the charges were false, why did he not say so? If they were true, why did he not say so, and place facts before the Attorney General and urge him to take action?

If the Insurance Department does not exist for the protection of policy-holders, what is the use of annually expending hundreds of thousands of dollars for its maintenance?

Fol. 45.—If an official examination was made and questionable transactions and the dishonesty of the management was concealed, the department, instead of protecting the policy-holders, is lending its influence for the encouragement of such dishonest management, and in this way places the company or association so managed in a much worse condition than was the poor man who, on his way from Jerusalem to Jericho, fell among thieves, because instead of, like the good Samaritan, caring for the wounded man, it practically protects those by whom he was despoiled. This, in the case of the Mutual Reserve, seems to be literally true, the Levite and the Priest—the superintendent and the Attorney General have both passed by on the other side, and the Vice-President, Wells, has been put to the expense of defending a suit for libel, Mr. Burnham having taken this means of making it appear that the charges are false.

We believe that every one of the allegations made in the charges with the Insurance Department at the request of the superintendent should have been investigated, and a statement of the facts given to the members of the association.

Fol. 46.—It must be admitted that President Burnham and those associated with him in the management, in taking advantage of every means possible to delay the trial of the so-called libel suit against Vice-President Wells, do not act like men who court investigation. Despite every effort which Mr. Wells and his counsel, ex-Governor Black, have been able to make, it has been found impossible to bring the case before the courts.

Fol. 47.—If policy-holders combine as they should do, not only to use their influence, but also to furnish the means necessary to remove the present management, the association can yet be saved; otherwise they are sure to lose all that they have paid, as, in my opinion, failure is inevitable under the present management. It is our intention in the next issue to expose the dishonest tactics adopted by the Mutual Reserve to force the fifteen-year policy-holders either to give up their insurance altogether or to accept the new policy; suffice it to say that a policy-holder insuring on the fifteen-year plan in 1889, age 35 at entry, has contributed more every year to

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the mortuary fund of the association than a person insured at the same age and for the same amount on the so-called five-year level premium plan, and yet the person insured on the fifteen-year plan has had his premium increased three different times, and is now paying the amount indicated by the table of rates at age attained, instead of age at entry.

Fol. 49.—A person insured in 1889, on the fifteen-year plan, for \$1,000, aged 35, commenced by paying \$11.93 each year to the mortuary fund, and is now called upon to pay \$14.94, being an increase of \$3.01 being the amount indicated in the table of rates at age attained. A person insured at age 35 on the five-year plan only contributes \$11.82 to the mortuary fund on each \$1,000 insurance, i.e., ten cents per \$1,000 less than a fifteen-year policy-holder at the same year the first year, and yet the actuary of the Mutual Reserve, Mr. George D. Eldridge, under the heading, 'Five Year Combination Option Plan,' page 86 of the 'Agents' Manual,' makes the following statement:—

Fol. 50.—'This plan is offered to meet the needs of those who desire to purchase insurance at a rate, payable from the start, practically ample to provide for the increasing cost due to increasing age by accumulation, thus rendering payments uniform throughout the life of the policy. * * * * The central or principal point is, however, the sufficiency of the rates to secure the payment of every claim throughout life. Questions of dividends incidental in character may be regulated to the results of experience, provided only the policy-holder is satisfied of the ample provision made for death claim payment, that being the central object of a life insurance policy.'

Fol. 51.—Following this is a series of figures, it being assumed that a company starts with \$10,000,000 of insurance in force at the rate charged for the 'Five-Year Combination Option Policy,' and that no new business be written, the whole \$10,000,000 being considered by itself. At the end of the *first ten years* Mr. Eldridge makes out that there would be a balance to the credit of the company of \$490,304; that at the end of the *second ten years* there would be a balance of \$850,413; that at the end of the *third ten years* there would be a balance of \$955,897; that at the end of the fourth term of ten years there would be a balance of \$815,191; and he concludes the demonstration as follows:—

Fol. 52.—'Thus the association has in hand resources sufficient to meet every dollar of outstanding insurance as it shall mature, no further lapse or discontinuance, otherwise than by death, being taken into the calculation.'

Fol. 53.—Be it remembered that these calculations were made by Mr. Eldridge, Actuary of the Mutual Reserve Fund Life Association, after the reapportionment of experience of its whole history, and therefore he surely was in a position to know the rates had been made and when he had before him, or should have had, the mortality amount likely to be required for the payment of every death claim in full.

Fol. 54.—If this is true, how can the management justify its action in increasing the rate on the fifteen-year policy-holders and forcing them to pay all the way from twenty-five per cent to fifty per cent more than the amount called for by the experience table of mortality?

We shall deal with this subject more at length in a future issue.

III. That the prosperity, usefulness, permanency and progress of the plaintiff, are dependent not only on the history and skill of the management, but also in the confidence of the members and the public therein, and in the officers who conduct the same; that the money to pay death claims are voluntarily paid by the members when called for in assessments; and the faith and credit due to said plaintiff in its said business, and the safety, stability and character of the said plaintiff, are and were at all times in the complaint mentioned known by the public and all said persons, to be dependent upon the honesty and skill in the conduct of the said business and in the management thereof.

Fol. 56.—IV. That the said article, matter and words aforesaid, in so far as they state or insinuate that the officers of this corporation have been or were guilty of any

crime, offence or improper conduct in carrying on the plaintiff's business, were and are false, malicious and defamatory.

Fol. 57.—V. That the said article, matter and words aforesaid, in so far as they state or insinuate that the plaintiff is, or is about to become insolvent, bankrupt, or that it is unable to meet its just dues and obligations, or that the rights of its shareholders, members or creditors are about to be imperilled, were and are false, malicious and defamatory.

Fol. 58.—VI. That by reason of the printing and publishing of the said article, matters and words aforesaid, plaintiff has become injured in its business, its credit in the commercial and insurance world has been impaired, and its good name and reputation has been brought into public scandal, infamy and disgrace to its damage in the sum of fifty thousand dollars.

Wherefore the plaintiff demands judgment against the defendant for the sum of fifty thousand dollars (\$50,000), together with the cost of this action.

JAMES, SCHELL & ELKUS,

Attorneys for Plaintiff.

Office and post office address,

56 PINE STREET, BOROUGH OF MANHATTAN,
NEW YORK CITY.

By the Hon. Mr. Lougheed :

Q. You state that you received \$5,000 for the purpose of allowing this case to drop: is that it?—A. That is as I understand it.

Q. Surely the plaintiffs could have discontinued a civil action against you if they chose?—A. I would have had them arrested the next morning if they did.

Q. For discontinuing?—A. Yes.

Q. Arresting a plaintiff for discontinuing a civil action?—A. Yes, certainly.

Q. It is an extraordinary system of legal jurisprudence if that is so. This was a civil action, I understand?—A. Yes.

Q. Am I to understand that you still labour under the impression that you received \$5,000 for permitting the plaintiffs in this case to discontinue a civil action against you?—A. Yes.

By the Hon. Mr. McSweeney :

Q. You got the money, anyhow?—A. Yes.

By the Hon. Mr. Lougheed :

Q. That is your understanding?—A. Yes.

Q. So that when it comes to cross-examination or an explanation afterwards there will be no misunderstanding?—A. Oh, no.

By the Hon. Mr. Béique :

Q. Do you claim that under the law of New York that a party who takes a civil action for damages cannot discontinue the action by paying the costs?—A. Had they discontinued the action they would not have paid the costs. The only way they could have discontinued the action was by abandoning.

Q. Do you claim that under the law of New York it is not open to the party suing for damages to abandon the suit and discontinue—do you claim it is not open to do that?—A. I do not claim that.

Q. It is not open to every suitor, the plaintiff in the suit, to abandon it, and then the result is that the defendant recovers costs against him?—A. Yes.

Q. And then it left your right to sue for false arrest open—your right in damages against them for false arrest—it left that right open to you?—A. Yes.

PATTERSON

APPENDIX No. 1

Q. And therefore it would not have affected your own suit against them. You had taken a suit for false arrest?—A. Yes.

Q. And you would have the right to continue that suit?—A. I would.

Q. And the conditions of things being such, through your lawyers and theirs they arrived at a settlement whereby both suits were to be abandoned, and they were to pay you \$5,000?—A. Yes.

By the Hon. Mr. Lougheed :

Q. Then there was a separate action or proceeding taken against you on the criminal side of the court?—A. There was.

Q. But not this action?—A. Not this action.

Q. We are dealing with the civil proceeding?—A. Yes, that is right.

Q. And there was a criminal proceeding taken under which you were arrested?—A. Yes.

Q. It would be in satisfaction of that you took the money?—A. I was arrested under the civil suit and put under bail to the extent of about \$10,000, and about a year afterwards I was arrested, I was charged with criminal libel and arrested, and I demanded a hearing before the magistrate and was discharged, and immediately on being discharged I entered suit against the association and President Burnham for \$50,000.

By the Chairman :

Q. Tell the Committee what was the nature of your libel against the company? What did they arrest you for?—A. The criminal libel.

By the Hon. Mr. Béique :

Q. What was the date of the civil suit?—A. January, 1900.

Q. At what date were you arrested on the criminal charge for libel?—A. Some-time in the year 1901.

Q. Beginning of 1901?—A. Yes, about the beginning of 1901.

Q. Were you arrested on the criminal charge before the settlement took place?—A. I was.

Q. So the settlement was the last thing?—A. Yes.

Hon. Mr. BÉIQUE.—I object to this bill of complaint going on the record, and I move that this document be simply marked for identification.

The motion was declared lost.

Hon. Mr. BÉIQUE.—I ask that the names be taken—the yeas and nays.

The CHAIRMAN.—There is nothing before the chair, and I think the names cannot now be taken.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I would ask you to read section 20 of the Dominion Insurance Act, chapter 20 of the Revised Statutes of Canada?—A. Section 20 reads as follows:—

‘Every company incorporated or legally formed elsewhere than in Canada, and at present licensed or hereafter licensed under this Act, and every company which is subject to the provisions of this Act, shall make annual statements of its conditions and affairs at the balancing day of the company in each year, and the form and manner of making such statements shall as to the Canadian business of such company be the same as far as applicable and as is required of Canadian companies, and as to its general business shall be in such form as such company is required by law to furnish to the government of the country in which its head office is situated.’

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Q. Have you made a comparison between the sworn statements furnished by the Mutual Reserve Fund Life Association to the Department of New York and also Canada?—A. I have.

Q. Would you look at those papers now produced to you, and say if those are correct extracts from the reports?—A. They are.

Q. These are from the report submitted to the Insurance Department of the State of New York of this company, and also to the Insurance Department of the Dominion of Canada?—A. Yes.

Mr. COSTER.—I also call the attention of the Committee to the fact that Mr. Eldridge, who swears to this statement, says on June 27, No. 4, page 18, as follows:—

‘We were required, as far as our general business is concerned, to file with the Canadian Insurance Department a copy of the report made to the New York department.’

These reports, Exhibit 37, read as follows:—

MUTUAL RESERVE FUND LIFE ASSOCIATION.

SWORN ANNUAL STATEMENTS TO INSURANCE DEPARTMENTS.

STATE OF NEW YORK.		Income.	DOMINION OF CANADA.	
Emergency fund (page 1, line 4).....	\$ 9,567 47		Emergency fund (page 1, line 4).....	\$ 631,032 22
Total income.....	5,192,030 21		Total income.....	5,813,494 98
			Difference.....	\$ 621,464 75
		<i>Ledger Assets.</i>		
Total net ledger assets (page 2, line 8).....	\$ 2,672,873 65 (1899)		Total net ledger assets (page 2, line 8).....	\$ 3,294,338 40
			Difference.....	\$ 621,464 75
Not in New York report (1899).			Interest bearing premium notes se- cured by liens or policies.....	\$ 621,464 75
		<i>Gross Assets.</i>		
Gross assets.....	\$ 3,096,709 56 (1899)		Gross assets.....	\$ 3,718,174 31
			Difference.....	\$ 621,464 75
		<i>Admitted Assets.</i>		
Total admitted assets.....	\$ 2,729,170 93 (1899)		Total admitted assets.....	\$ 3,350,635 68
			Difference.....	\$ 621,464 75
There is nothing in the sworn report to the Insurance Department of Canada, under ‘Income’ to show that any part of it was made up of ‘Premium notes on liens.’				
<i>Balance Sheet, December 31, 1899.</i>				
Balance sheet, Dec. 31, 1899.....	\$ 2,672,873 65		Balance sheet, Dec. 31, 1899.....	\$ 3,294,338 40
		<i>Income.</i>		
Emergency fund (page 1, line 4).\$	(1900)		Emergency fund (page 1, line 4).....	\$ 9,286,378 28
Total income.....	8,006,843 45 (1900)		Total income.....	11,623,413 85
			Difference.....	\$ 6,616,570 40
		<i>Disbursements.</i>		
Paid for surrender policies (page 1, line 3).....	\$ 34,870 43 (1900)		Paid for surrender policies (page 1, line 3).....	\$ 1,279,525 87
			Difference.....	\$ 1,244,655 87
		<i>Total paid Members.</i>		
Total paid members.....	\$ 3,451,908 33 (1900)		Total paid members.....	\$ 4,969,563 77
Balance.....	2,929,595 61 (1900)		Balance.....	11,595,848 97
			Difference.....	\$ 8,666,253 36

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<i>Admitted Assets.</i>			
Total admitted assets	\$ 2,910,095 35 (1900)	Total admitted assets	\$ 11,701,682 30
		Difference	8,791,586 95
<i>Gross Assets.</i>			
Gross assets	\$ 3,379,671 43 (1900)	Gross assets	\$ 12,171,258 38
		Difference	8,791,586 95
<i>List of Assessments made, 1900, page 5.</i>			
Call No. 108, February 1	\$ 417,091 85 (1900)	Call No. 108, February 1	\$ 417,091 58
" 109, April 2	398,551 18	" 109, April 2	398,751 58
" 110, June 1	410,964 98	" 110, June 1	411,345 98
" 111, August 1	400,459 20	" 111, August 1	400,840 20
" 112, October 1	365,674 81	" 112, October 1	366,085 81
" 113, December 1	337,177 48	" 113, December 1	377,558 48
Collected on assessments previous to No. 108	37,992 63	Collected on assessments previous to No. 108	35,144 06
Special mortuary account exchanged and re-insured policies		Special mortuary account exchanged and re-insured policies	10,608,555 56
Total	3,620,288 72	Total	12,975,373 52
		Difference	9,355,084 80

MUTUAL RESERVE FUND LIFE ASSOCIATION.

STATE OF NEW YORK.

DOMINION OF CANADA.

Bonds Redeemed and Interest paid, Policies Surrendered.

Bonds redeemed and interest paid policies surrendered	\$ 129,134 88 (1900)	Bonds redeemed and interest paid, policies surrendered including liens or premium notes voided by lapse	\$ 1,373,790 32
		Difference	1,244,655 44

Transferred to Death Fund.

Transferred to death fund	\$ 3,090,735 53 (1900)	Transferred to death fund	\$ 2,832,409 29
		Difference	258,326 24

Transferred to Reserve Fund.

Transferred to reserve fund	\$ 3	Transferred to reserve fund	\$ 8,368,755 60
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There is nothing in the sworn report to the Insurance Department of Canada, under 'Income' to show that any part of it was made up of 'Premium notes on liens.'

SWORN ANNUAL STATEMENT, 1901.

Balance sheet, December 31, 1900.

Balance, Dec. 31, 1900 (page 1)	\$2,849,875 77	Balance, Dec. 31, 1900 (page 1)	\$ 11,514,932 81
		Difference	8,665,057 04

Income.

Total income	\$6,700,222 38 (1901)	Total income	\$7,566,884 60
			866,662 22
Total paid by members	6,248,481 16 (1901)	Total paid by members	7,240,442 93
		Difference	991,961 77
Total income	6,700,222 38 (1901)	Total income	7,566,884 60
		Difference	866,662 22

Disbursements.

Paid members for dividends and surrendered policies and other benefits	\$ 151,265 69 (1901)	Paid members for dividends and surrendered policies and other benefits	\$2,406,956 68
		Difference	2,255,690 99
Total paid to members	4,941,174 62 (1901)	Total paid to members	7,196,249 32
		Difference	3,255,075 70

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SELECT COMMITTEE ON THE POSITION OF

4 EDWARD VII., A. 1904

MUTUAL RESERVE FUND LIFE ASSOCIATION.

SWORN ANNUAL STATEMENT, 1901—Continued.

STATE OF NEW YORK.		DOMINION OF CANADA.	
Commissions paid or allowed for collecting assessments.....	51,426 43 (1901)	Commissions paid or allowed for collecting assessments.....	
Salaries and allowances of managers and agents not paid by commissions.....	69,823 49 (1901)	Salaries and allowances of managers and agents not paid by commissions.....	158,035 40
		Difference.....	89,211 91
Medical examiners' fees.....	16,368 83 (1901)	Medical examiners' fees.....	23,620 30
		Difference.....	7,251 47
Taxes on premiums.....	21,623 37 (1901)	Taxes on premiums.....	21,171 75
	451 62.		
Insurance Department, fees and licenses.....	24,999 10 (1901)	Insurance Department, fees and licenses.....	25,450 72
			451 62
Rent for Association's use of own building.....	\$ 50,400 00 (1901)	Rent for Association's use of own building.....	\$ 50,000 00
		Difference.....	\$ 400 00
Agency expenses.....	36,785 48 (1901)	Agency expenses.....	
Expenses of investigating and adjusting death claims and other benefits.....	162,375 50 (1901)	Expenses of investigating and adjusting death claims and other benefits.....	155,124 03
		Difference.....	\$ 7,251 47
<i>Admitted Assets.</i>			
Total admitted assets.....	\$ 2,652,759 88 (1901)	Total admitted assets.....	\$ 11,133,911 60
		Difference.....	\$ 8,481,151 74
<i>Gross Assets.</i>			
Gross assets.....	\$ 2,654,535 93 (1901)	Gross assets.....	\$ 11,292,046 06
		Difference.....	\$ 8,637,510 13
<i>Mortuary Liabilities.</i>			
Unmatured mortuary liabilities \$	700,427 63 (1901)	Unmatured mortuary liabilities.....	\$ 1,167,821 46
		Difference.....	\$ 467,393 83
<i>Building Sinking Fund.</i>			
Building sinking fund.....	\$ 52,260 09 (1901)	Building sinking fund.....	\$

There is nothing in the sworn report to the Insurance Department of Canada, under 'Income' to show that any part of it was made up of 'Premium notes on liens.'

Schedule 11, Part 2—Death claims reported and under process of adjustment December 31, 1901; and Schedule 12—Claims compromised, scaled down or dropped during the calendar year do not appear in the report to the Canadian Insurance Department for the year ending December 31, 1901.

MUTUAL RESERVE FUND LIFE ASSOCIATION.

ANNUAL STATEMENTS AND BLUE BOOK.

Year ending December 31, 1899.

SWORN STATEMENT, NEW YORK.		BLUE BOOK, CANADA.	
<i>Income.</i>			
Total paid by members.....	\$ 4,564,311 17	Total paid by members.....	\$ 5,185,775 92
		Difference.....	\$ 621,464 75
Total income.....	5,192,030 21	Total income.....	5,813,494 90
		Difference.....	\$ 621,464 75

Disbursements—The same in both statements.

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MUTUAL RESERVE FUND LIFE ASSOCIATION.

ANNUAL STATEMENT AND BLUE BOOK.

Year ending December 31, 1901.

SWORN STATEMENT, NEW YORK.

BLUE BOOK, CANADA.

Admitted Assets.

Admitted assets.....	\$ 2,729,170 93	Admitted assets.....	\$ 3,350,635 68
		Difference.....	\$ 621,464 75

Year ending December 31, 1900.

SWORN STATEMENT, NEW YORK.

BLUE BOOK, CANADA.

Income.

Total paid by members.....	\$ 4,836,897 88	Total paid by members.....	\$ 14,126,341 93
		Difference.....	\$ 9,289,444 05
Total income.....	5,333,969 80	Total income.....	14,623,413 85
		Difference.....	\$ 9,289,444 05

Disbursements.

Cash paid for dividends and surrender policies.....	\$ 148,634 01	Cash paid for dividends and surrender policies.....	\$ 1,393,289 45
		Difference.....	\$ 1,244,655 44
Total paid to members.....	3,451,908 33	Total paid to members.....	4,696,563 77
		Difference.....	\$ 1,244,655 44

Admitted Assets.

Admitted assets.....	\$ 2,910,095 35	Admitted assets.....	\$ 11,701,682 30
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Income.

Total paid by members.....	\$ 6,248,481 16	Total paid by members.....	\$ 7,240,442 93
		Difference.....	\$ 991,961 77
Total income.....	6,700,222 38	Total income.....	7,566,884 60
		Difference.....	\$ 866,662 22

Disbursements.

Cash paid for dividends and surrender policies.....	\$ 151,205 69	Cash paid for dividends and surrender policies.....	\$ 2,406,956 68
		Difference.....	\$ 2,255,680 99
Total paid to members.....	4,941,174 62	Total paid to members.....	7,196 249 32
		Difference.....	\$ 2,255,074 70
Total disbursements.....	6,850,079 27	Total disbursements.....	8,970,625 25
		Difference.....	\$ 2,120,545 98

Admitted Assets.

Admitted assets.....	\$ 2,652,759 88	Admitted assets.....	\$ 11,143,911 60
		Difference.....	\$ 8,481,151 52

Q. These documents (Exhibit 37) were taken by you from the sworn reports submitted to the department?—A. From the sworn reports submitted to the Insurance Department of the State of New York and to the Dominion of Canada.

Q. By whom were those reports sworn to?—A. By George D. Eldridge and Secretary Chas. W. Camp. I am not positive that they were all sworn to that way.

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Q. Read the heading of one of the Canadian statements. They are the same, are they not?—A. They are exactly the same.

Q. Read the heading of the Canadian statement?—A. 'Annual statement for the year ending December 31, 1900, Mutual Reserve Fund Life Association, of the condition of the affairs of the Mutual Reserve Fund Life Association, organized under the laws of the State of New York, made to the Superintendent of Insurance in the State of New York pursuant to the laws thereof; president, Frederick A. Burnham; vice-president, George D. Eldridge; secretary, Chas. W. Camp,' and so on.

Q. That is the heading of the Canadian ones?—A. Yes.

Q. And they purport to be the same?—A. Yes.

Q. They swear it was the same as the New York one?—A. Yes, the blanks are the same.

By the Hon. Mr. Lougheed:

Q. Can you account in any way for the discrepancy?—A. I can. In the reports to the New York Insurance Department premium notes and liens are entirely eliminated. In the report to the Canadian department they are printed.

By Mr. Coster, K.C., Counsel for the Committee:

Q. As what?—A. As income, as disbursements, and as assets.

By the Hon. Mr. Béique:

Q. Would that account for the difference?—A. That accounts in part for the difference—not altogether that I can see.

Q. Anything left—anything of a consequence?—A. No, that practically accounts for the difference.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Those statements show the difference there. They speak for themselves. Anybody can look at them for themselves and see for themselves in a second what the differences are.

Q. Those statements that were made to the Canadian Insurance Department would be misleading?—A. They were grossly misleading.

By the Hon. Mr. Béique:

Q. I understand—and I want you to correct me—that the law of the State of New York is different from Canadian law; that under one system of law an item is to be taken into consideration, whereas under the other system it is not allowed to be taken into consideration; then how are they to treat the matter?—A. Under the law of the State of New York, as interpreted by the Insurance Department, liens could not be included either as an income or a disbursement or as an asset, and under the Canadian law, as I understand it, they could not be included either as an income or as an asset because they could not legally be a lien against the policy in Canada, according to law.

Q. According to your understanding, the laws are to the same effect in that respect?—A. Practically the same effect.

Q. And they misinterpreted the Canadian law?—A. That is as I understand it, and by so doing—

Q. Have you discussed the matter with the Superintendent of Insurance here?—A. I have not.

By the Hon. Mr. Lougheed:

Q. The statement, on its face, shows where the difference obtains?—A. It does.

Q. Why do you conclude it is misleading if upon its face it shows where the difference is?—A. The best evidence that I can produce that it is misleading is the
PATTERSON

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fact that in this printed document, which goes to all the life insurance agents and insurance offices throughout the Dominion of Canada, there is in one year, for example, \$2,240,000 reported here as having been paid in cash dividends and surrender values for policies.

By the Hon. Mr. McSweeney :

Q. What year is that?—A. 1901, I think it is. In these papers it is reported here as cash paid for dividends; it is here in the blue-book, in surrender values.

By the Hon. Mr. Gibson :

Q. Paid in Canada?—A. Paid by the company all over, whereas in the New York report the total amount paid in dividends and cash surrender values was only \$151,000, being a difference of \$2,000,000 some odd reported in this book which the Superintendent of Insurance and the Insurance Department here, taking it from the sworn report, were misled, and understood that it was cash, whereas it was merely premium notes.

By the Hon. Mr. Loughheed :

Q. I thought you said the face of the statement showed a certain amount was carried to the credit of the company for premium notes?—A. There is no item in any of the reports to show that any part of the income is for premium notes or liens.

Q. In what way do you explain the statement that the sworn statement shows on its face that a certain amount did appear for premium notes?—A. It simply stated the same in the New York report, a certain amount for premiums and in the disbursements there is cash surrender values—I am speaking from memory—and premium notes voided by lapses; that appears in the Canadian report, in the report to the Dominion of Canada and does not appear in the New York report.

By the Hon. Mr. Béique :

Q. But is there not annexed to the Canadian report this memorandum which would explain in the following words: 'The New York Insurance Department finds no authorization in law for including this item among liabilities, and therefore excludes it, and consequently excludes also the item of liens made by the association against net values from both assets and income'?—A. That would not be—

Q. Answer the question as to whether this item is not annexed to the Canadian report which I have read?—A. Not to all of them, as far as I know. It is annexed to that one.

Q. Would not this notice call the attention of the Superintendent of Insurance to the difference between the two reports?—A. It should have.

Q. It is intended to call his attention to it, is it not?—A. No, that appears in the New York printed form of report.

Q. But whether it is printed or not, if it is there it would call the attention, and it would better call the attention if it is not printed, if it is in manuscript or attached in type in that way, would it not call the attention of the Superintendent of Insurance?—A. It should.

Q. Did this form part of the blue-book?—A. That is in the blue-book also, I believe—printed in the blue-book.

Q. So that the blue-book would call attention to the difference between the two reports?—A. Yes.

Hon. Mr. LANDRY moved that the Committee adjourn until to-morrow.

The Committee divided on the amendment, which was carried.

WEDNESDAY, July 13, 1904.

The Committee met at 10 a.m.

Examination of Mr. J. T. PATTERSON continued.

By Mr. Coster, K.C., Counsel for the Committee :

Q. With reference to liens on policies, I want to call your attention to the evidence of Mr. Eldridge, on page 61 of part 2 of the printed report, in which the following questions and answers appear :—

'By Mr. Coster, Counsel :

Q. 'You consider these liens are funds belonging to the company—A. Yes.

Q. 'All you have to do to increase your assets is to put a little lien on a policy which has no cash value?—A. No.

Q. 'What do you mean? You increase your assets by two millions by putting liens on policies which have no cash value?—A. These policies have a cash value of \$2,500,000.

Q. 'You would pay that for them?—A. We would pay \$2,500,000 to retire those policies.

Q. 'Cash?—A. Cash, when the man had paid his obligation the note of a policy holder procured by a reserve on his policy is admitted as an asset in every country in the world, and it is an asset of the company.'

Q. Now, what have you got to say to that?—A. If Mr. Eldridge or the Mutual Reserve Fund Life Insurance Company paid \$500,000 for these liens, as that would imply, that would amount to more than half of his entire available assets, and it would still leave \$38,000,000 of insurance in force and unpaid losses to the extent of nearly \$1,000,000, and consequently the company would be practically insolvent.

Q. You say there are unpaid losses of nearly one million dollars now?—A. There are.

Q. Where do you get that information?—A. From the sworn statement of the Insurance Department of the State of New York for the year ending December 31, 1903.

Q. When you speak of \$500,000, what Mr. Eldridge said was, that he would give \$2,500,000—how would he pay the other two millions?—A. By simply writing off the liens.

Q. Which had been placed on the policies?—A. Which had been placed on the policies.

Q. The assets, then, are increased by putting a lien on a policy—does that increase the assets of the company by the amount of the lien?—A. It does on paper.

Q. In your opinion what is the effect of that? Does that add to the finances of the company in any way—a company like the Mutual Reserve?—A. It does not add a single farthing to the assets.

Q. Mr. Eldridge said he took notes from these people—do you know what these notes were?—A. These notes are simply consents on the part of the insured to the reduction of their insurance, to the amount of the lien, whatever it is.

Q. If I understand, it is this way: the only effect of putting a lien on the policy is, that in the event of the man's death his representatives do not get the face of the policy?—A. That is the effect.

Q. And the only effect?—A. No, I could not so testify.

Q. What is it? He is charged the interest on it?—A. There is the benefit of whatever interest the insured would pay on the lien.

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Q. Of course the company would get that?—A. The company would be benefited by that.

Q. As far as that is concerned, the putting on of the \$2,500,000 liens means that simply in the event of death of the policy-holder his representative would get that much less money proportionately?—A. That is it exactly.

Q. They were referred to as notes given for these liens. Could these notes be realized on? Have they any cash value?—A. They could not be realized on during the lifetime of the insured.

Q. And then only by reducing the amount coming to his personal representative?—A. Then only by reducing the amount of insurance to be paid to his widow.

Q. And therefore you say, when they speak of this \$2,500,000 worth of assets, that they are not assets at all?—A. They are not assets, in my opinion, at all. I should like to add to that, that the Insurance Department of the State of New York, in not admitting these liens which are referred to in this testimony as an asset, is an authority for the fact that they are not an asset. I should like to make that perfectly clear. I have been asked if these two million dollar liens are an asset. As I understand it, these are the liens that came from the North-western Life Insurance Company, and liens on the Mutual Reserve policies prior to that time. We have it in the testimony of Mr. George D. Eldridge that the New York Insurance Department, when examining the Mutual Reserve for the purpose of reincorporation, struck out all these liens, and simply considered insurance that they recognized as net insurance, with these liens all deducted; therefore, it proves they are not assets.

By the Hon. Mr. Lougheed :

Q. They reduce the liability of the company, to the insured, to the extent of the liens, do they not?—A. Yes; it was a reduction of the amount.

Q. A reduction of liabilities?—A. Yes, a reduction of liabilities. It is an assessment, in other words, on a policy-holder after he is dead.

By the Hon. Mr. Béique :

Q. The company is under liability towards the insured?—A. They are not liable to the insured if—

Q. But in every policy the company is liable. The insured having paid his premium, there is a certain liability on the part of the company towards the insured?—A. Liability to the extent of the amount written in the policy, less the lien.

Q. Previous to the lien the company is liable—it forms part of the liabilities of the company?—A. Certainly.

Q. Now, suppose that the liability is \$1,000. If, for one reason or another, \$500 is advanced against that liability of \$1,000—it is done by insurance companies, is it not?—A. Not done unless the policy-holder has paid the \$500 to the company.

Q. Is it not a common thing for insurance companies to make advances to policy-holders on the guarantee of the policies?—A. It is.

Q. And it becomes a lien on the policy, does it not?—A. It does.

Q. If, on one side of the account the company is charged for the value of that policy, say \$1,000, it would be proper book-keeping to credit the company to the amount of \$500, if \$500 has been advanced against that liability of \$1,000?—A. It would, if the money had been advanced.

Q. Now, if instead of advancing the money, the party has not paid his assessments, and credit has been given him by the company for the amount of his assessments, and he has given a note bearing interest, it would represent the advance as if he had paid his assessment and the company had loaned him the amount—it would be the same thing, would it not?—A. It would; but the point is, the policy-holder paid all he was asked for, and did not owe the company any money whatever for assessments.

Q. And the company was not under any liability to those policy-holders ?—A. It is liable for the whole amount of that policy when the man dies, previous to the lien.

Q. In the returns to the government, the company is charged for the full amount of the policy ?—A. The contingent liability.

Q. And as against that, the company is credited for the amount of the lien, against that liability ?—A. Yes.

Q. And you say that is a bad practice ?—A. I do.

Q. Is it allowed under the Canadian system of insurance ?—A. No, it is not allowed under the law regulating assessment life insurance companies, or any other law I know of.

Q. Is it allowed in Canada ?—A. I think according to the terms of the law it is allowed now. I am not familiar with that.

Q. You do not know whether it is the practice of other insurance companies to make advances of that kind ?—A. I know that the law expressly states that the company shall pay the full amount stated in the policy, without deduction for any cause or purpose whatever, and that does not allow the admission of liens.

Q. Is it the practice in Canada to allow liens of that kind—is that your assertion that it is not allowed ?—A. I would wish to look at the law.

Q. I am not asking as to the law. I am asking whether it is the practice in Canada to allow liens of that kind ?—A. There is a difference between the liens that we are now discussing and what are known as loans, or liens, by regular life insurance companies.

Q. I shall put my question in another way : Do you claim that it has not been the practice of the Superintendent of Insurance in Canada to allow reports such as have been made by the Mutual Reserve, showing as assets the amount of those liens ?—A. Not by companies doing business on the system the Mutual Reserve Life Association is doing business. It has not been the practice.

Q. And it has been the practice for the Mutual Life ?—A. It has.

Q. And it has been allowed by the Superintendent of Insurance in Canada ?—A. The Mutual Life does not put liens on its policies such as the liens we are now discussing. They advance to the policy-holder, and take the policy as a collateral security.

Q. I am speaking of the Mutual Reserve. They have been, in the returns to the department in Canada, mentioning these as part of their assets, have they not ?—A. In the years 1899, 1900 and 1901, yes.

Q. Not before ?—A. Not prior to that.

Q. And the Superintendent of Insurance has allowed them to do that in Canada ?—A. Apparently.

Q. Do you know, as a matter of fact, whether other insurance companies have done the same thing in Canada, examined the reports of other insurance companies to ascertain whether they have followed the same practice ?—A. Yes, you will find in the reports of the Superintendent of Insurance, loans or liens on policies, but they are not merely consents on the part of the assured to reduce the insurance, as the Mutual Reserve liens are.

Q. Do I understand you to say that in no other case the same practice was followed as was followed in the case of this company ?—A. No other case that I know of.

Q. Have you examined the returns to ascertain whether the practice was followed by other companies ?—A. You could not determine that solely from the returns.

By the Chairman :

Q. You want to establish a difference between liens made on policies by old line companies and mutual assessment companies; will you please explain the difference ?—A. In regular life insurance companies, after a policy has been in force for a cer-

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tain number of years, in most cases three years, it has value in the reserve which stands to its credit, and the money has been paid into the treasury of the company to provide that reserve. In the event of the insured wishing to obtain a loan from the company, the company will advance to the insured an amount somewhere less than the reserve, and take his policy as a collateral security, or his note, and in the official reports that will stand as loans or notes on policies.

Q. Which have a value?—A. Which have a value, the company having received the money, and simply loaning it and getting interest on it. It is a valuable asset, perfectly secure, one of the most secure assets the company can have, and the least expensive to the company. On the other hand, the liens of the policies of the Mutual Reserve Fund Life Association have no value, in that the company never received any moneys to constitute a fund out of which they could make a loan of the amount represented by the lien of the policy-holder, and therefore it is of no value to the insured, or rather it is a detriment to the insured by the fact that he has consented, in giving that note or consent, to the reduction of his insurance in the event of his death. The company, on the other hand, has received no money represented by this lien, and is only benefited in the event of the death of the insured.

By the Hon. Mr. Lougheed :

Q. Will a note be taken as collateral to the lien?—A. No, there is simply an agreement or consent which is constructed as a note, by which the insured agrees or consents to this reduction of insurance or lien, and by which he agrees to pay the rate of interest named, or to allow it to be added to the lien.

Q. It became a personal obligation on the part of the insured?—A. No, there is no obligation on the part of the insured to pay the lien; on the contrary, the company expressly states to the policy-holder, that if he does not pay this lien, or as they call it, an assessment, it will be charged to his policy, and consequently deducted from the policy in the event of his death, thereby reducing the insurance to that amount.

Q. There is no personal obligation to pay?—A. No personal obligation at all.

By the Hon. Mr. McSweeney :

Q. Is it usual for assessment companies to have those liens?—A. I have only known of one assessment company that ever practised that system, if I might say so, and that was the National Life Association of Hartford, and that is out of existence.

Q. It is out of existence?—A. Yes, some years ago.

Q. And that is the only one?—A. The only one.

By the Hon. Mr. McMullen :

Q. When you talk of a lien as an assessment on the policy, how is that constituted? When that lien or assessment is made on the policy which is charged up to the policy-holder as a debt due by him, can that be done without his consent?—A. Not as I understand the law in practice in life insurance, and I might add further that I have carefully watched proceedings in connection with these liens, and in no case, so far as I know, where a good stiff fight has been put up in opposition to those liens, when the policy became a claim by death, has the Mutual Reserve Fund Life Association gone into court and fought it out. They have settled the case, and paid, in most cases, the claim in full, without deducting the lien, and I am thoroughly of the opinion, after most careful investigation, that no court would permit the lien to be deducted from the policy where it had been put on without a written agreement on the part of the insured.

By the Hon. Mr. Lougheed :

Q. It would be by virtue of the action of the company the policy could be kept alive, if the premium was not paid?—A. The premium has nothing to do with the lien.

Q. What is the lien for?—A. The lien is simply to reduce the liability of the company by reducing the amount insured.

Q. Suppose it was to the advantage of the insured to have the lien?—A. It was greatly to his disadvantage.

Q. Then it was put on without his consent?—A. Mr. Eldridge has testified here to the fact that if a policy-holder did not absolutely object when he was notified of the fact that the constitution or by-laws provided for putting on this lien, that was construed as a consent on the part of the insured.

By the Hon. Mr. Gibson :

Q. When the lien was put on, did the company get the assent of the insured?—A. Mr. Eldridge has admitted—

Q. I am asking you the question, was the lien put on without the consent of the insured?—A. If I am not allowed to show the grounds on which I make the statement, I must say I do not know. That must be the answer to that question. No doubt, many members of this Committee know that a correspondence took place between the Hon. Mr.—

Q. That is not relevant to the question at all. You made the statement that according to the by-laws of this company they had a right, without letting the assured know, to reduce the amount of his insurance by putting a lien on it without the consent of the insured?—A. If the honourable member will please put his question a little differently I could testify. I cannot testify positively in answer to that question.

Q. You made a general statement that it was done in all cases. I should like to be coached as to the question I should put to bring out the answer. We are here to elicit all the information we can get, and I ask you simply the question, if the company put a lien upon the individual policy without the consent or approval of the policy-holder?—A. I have testified that according to Mr. Eldridge's evidence—

Q. That is not a reply to the question?—A. If you would ask me the question, whether under the constitution and by-laws, the company has a right to put a lien on the policy without the consent of the assured, my answer would be, yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Do you distinguish between old line companies and assessment companies?—A. I do.

Q. You say that in the old line companies the policies have a cash surrender value?—A. They have.

Q. That is to say, the company will pay the assured a certain amount of cash for his policy while he is alive—is that the fact?—A. That is the fact, and it is a liability.

Q. In assessment companies, will they give the man any cash surrender value, as a rule?—A. Not as a rule.

Q. Under what circumstances would they pay a man any cash for the surrender of his policy in an assessment company?—A. They would pay a cash surrender value, simply if they had the money on hand to pay it.

Q. Under what circumstances would a policy in an assessment company have a cash surrender value?—A. It is difficult to answer that question without going into details. For example, the Mutual Reserve Fund Life Association issues a fifteen-year policy, which states that after it has been in force for fifteen years, the policy has a cash surrender value for the member's share of the amount to its credit, on the condition that he gives the company one year's notice in advance.

Q. That is what you call an assessment company—the Mutual Reserve?—A. Yes, but there are some companies which have no surrender value. Most assessment companies do not undertake to pay a surrender value.

Q. In the Mutual Reserve, the policies have a surrender value after a certain time?—A. A conditional surrender value only.

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Q. That is to say, if there is a reserve, they would be entitled to share that on giving one year's notice—is that right?—A. That is right.

Q. As a matter of fact, what is the amount of the reserve which is now on hand to pay these policies, by the report submitted to the department—roughly speaking?—A. As I understand the condition of the company at the present time, there is nothing to the credit of these policies on which a cash surrender value can be paid.

Q. When they speak of liens to the amount of \$2,500,000, it is simply a loan on wind, as it were—it is only bookkeeping?—A. A loan on paper—bookkeeping.

Q. And then you say that that cannot in any way be called an asset of the company?—A. It cannot, as I understand it, be an asset.

Q. Would it be any more an asset of the company than if you were to credit the company with \$2,000,000 on the one side of the books, and charge them with \$2,000,000 on the other side, and say they had \$2,000,000 more cash—is not that the practical result?—A. That is exactly what it is, in my opinion.

Q. In the case of the old line policies, the company would only lend a man the amount which he could get if he came and handed in the policy, to get the cash for surrendering it—a little less than that, probably?—A. I think the company would loan a slightly larger amount on the policy than they would pay outright as a cash surrender value, because they get interest on it, and it is an asset.

Q. If they would lend more, a man who would take it as a loan would not be as well off as if he had made a sale of his policy?—A. That is right. Some companies do not state the surrender value; they state the loan value in their policies.

Q. With reference to the expenses of this company, I asked Mr. Eldridge the question, when he was on the stand, if in the insurance report filed with the Insurance Department of the State of New York, there are salaries of officers, a certain amount and salaries and other compensation of office employees. I asked Mr. Eldridge if the amount filled in there covered the whole of the compensation of officers, and if I remember right, he said it practically did. Now, I call your attention to the amount of actuarial expenses, in the report of the Mutual Reserve. Do you find that item in the reports of other companies?—A. I do not.

Q. Have you looked?—A. I have.

Q. And you think that is peculiar to the Mutual Reserve?—A. I do.

Q. What would be meant, in your opinion, by actuarial expenses?

(Objected to by counsel for the company.)

Q. What are actuarial expenses, in your opinion?—A. Actuarial expenses, in my opinion, would mean the salary paid to the actuary or actuaries, and the salaries of the employees in the actuarial department, stationery—

Q. Would that be an actuarial expense?—A. Certainly, part of the stationery, paper on which to make your calculations, and the various tables; that would be admitted as an item of expense belonging to that department.

Q. But in other companies, you say they do not have it?—A. I do not see it in any other reports.

Q. Where does it come in, in the other companies?—A. It must be included in the salary paid to the actuary, and in the compensation or salaries paid to employees, and in the printing and stationery, which would include it.

Q. In the year 1896, do you find by the reports to the department of New York, an item for actuarial expenses? What amount of actuarial expenses do you find there?—A. I find entered in the sworn report to the Insurance Department of the State of New York for the year ending December 31, 1896, an item under actuarial expenses amounting to \$14,227.

Q. And in 1897?—A. \$16,795.

Q. And in 1898?—A. \$17,936.

Q. And in 1899?—A. \$18,777.

Q. In 1900?—A. \$22,968.

Q. In 1901 ?—A. \$27,441.

Q. In 1902 ?—A. \$30,684.

Q. In 1903 —A. \$31,449.

By the Chairman :

Q. That might be caused by development of business ?—A. Actuarial expenses do not necessarily increase with the increase of business.

By the Hon. Mr. Landry :

Q. Could you explain that increase ?—A. I cannot explain it on any ground.

By the Hon. Mr. Béique :

Q. Would you be able to say that it can be explained by the company ?—A. It could not be explained to satisfy me. I should like to make myself perfectly clear. On the admission that the compensation or salary paid to officers, as stated in the sworn report, included the salaries of all officers, and the compensation paid to employees included compensation to all employees, and there being stated in the sworn reports an amount representing printing and stationery, I cannot see how such a large sum could be chargeable to actuarial expenses and explained after the salaries of all officers have been paid outside of it.

By Mr. Coster, K.C., Counsel for the Committee :

Q. In the Insurance Report, for instance, take this for one year, 1899, under the heading, 'Other Compensation of Officers,' what do you find there ?—A. The answer is 'None.'

Q. And is not that the same answer in the other reports ?—A. The same in all the other reports.

Q. And yet you say that these amounts called actuarial expenses, would be properly included in salaries to officers or employees ?—A. Officers and office employees.

Q. 'Expenses other than Agents' Commissions, &c.'—under that head have you taken an extract from the sworn reports submitted to the Insurance Department of New York ?—A. I have.

Q. I would ask you to look at Exhibit 38, now produced, and state if it is correct ?—A. It is.

EXHIBIT No. 38.

Expenses other than Agents' Commissions, &c.

Year.	Salaries of Officers and Office employees.	Legal Expenses.	Travelling Expenses.	Actuarial Expenses.	Office Expenses.	Total.
	\$	\$	\$	\$	\$	\$
1896.....	352,297	7,293	10,291	14,227	63,079	447,187
1897.....	367,376	22,605	14,496	16,794	83,101	504,373
1898.....	336,748	35,890	21,775	17,939	85,182	497,534
1899.....	286,618	81,719	25,127	18,777	73,697	485,938
1900.....	293,677	48,030	31,512	22,968	70,102	466,289
1901.....	307,822	40,291	28,246	27,441	129,338	533,138
1902.....	285,727	43,328	26,825	30,684	111,636	498,200
1903.....	286,016	54,167	25,942	31,449	103,547	501,121
Totals.....	2,516,281	333,323	184,214	180,280	7,719,682	3,933,780

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Q. Exhibit 38, 'Expenses other than Agents' Commissions,' you say that is taken accurately from the sworn reports?—A. I do.

Q. Look at Exhibit 39, 'Mortuary Receipts used for Expenses.' Is that taken accurately from the report, or where did you get that?—A. The figures contained in that exhibit were taken from the sworn report to the Insurance Department of the State of New York for the years 1895, 1896, 1898, and 1897.

Q. And 1900?—A. 1900, but for the year 1897 the amount was not given in the sworn report, so it is estimated, being the difference between the two years.

Q. You have added the year after and the year before together and divided by two and given the average?—A. Yes.

Q. But in the others it is taken accurately from the report?—A. Yes. I should add that the \$2,053,065.04 are taken from the report of the Mutual Reserve Fund Life Association by the New York Insurance Department.

Q. What you mean, if I understand, is that from the date of organization to December 31, 1894, there have been used in expenses from mortuary funds and interest earnings on same, the sum of \$2,053,065.04. Is that what you mean?—A. That is what I mean.

Q. And the other sum, amounting to over \$450,000 a year on an average about, also used for expenses out of the mortuary fund?—A. That is correct.

Q. Is that a proper expenditure, in your opinion?—A. A certain amount of it was provided for under the constitution and by-laws, but in my opinion that represents a very much larger amount than was contemplated under the constitution and by-laws.

Q. Then, 'Cost of New Business,' Exhibit 40. Look at those reports for the years 1901, 1902 and 1903, cost of new business. Is that taken from the Insurance Report?—A. Yes.

Q. And those are accurate?—A. Yes.

Q. Exhibits 39 and 40, now filed, read as follows:—

EXHIBIT No. 39.

Mortuary Receipts used for Expenses.

The report of the examination of the Mutual Reserve Fund Life Association as of December 31, 1894, page 19, shows that from the date of organization to December 31, 1894, there had been used in expenses from Mortuary Funds and interest earnings on same... \$2,053,165 04

Mortuary Funds used for expenses, 1895.. . . .	475,376 20
“ “ “ 1896.. . . .	445,815 15
“ “ “ 1897 (not given)*	420,000 00
“ “ “ 1898.. . . .	452,201 60
“ “ “ 1899.. . . .	413,579 34
“ “ “ 1900.. . . .	400,418 31
	4,658,555 62

*The figures in the above statement for the years 1895 to 1900, both inclusive, are taken from the sworn reports to the Insurance Department of the State of New York, except for the year 1897, which is estimated, the amount not being given in the official report for that year.

EXHIBIT No. 30.

MUTUAL RESERVE FUND LIFE INSURANCE CO., NEW YORK.

Cost of New Business, 1901.

Commissions and fees to agents (first year)	\$192,089 74
Salaries and allowances for agencies	69,823 49
Salaries of officers and office employees $\frac{1}{2}$	153,910 96
Medical examiners' fees	16,368 83
Rent, $\frac{1}{2}$ \$37,651.74; furniture, $\frac{1}{2}$ \$1,472.21	39,123 95
Advertising and printing, $\frac{3}{8}$	41,491 16
Travelling expenses, $\frac{1}{2}$	14,122 49
Actuarial expenses, $\frac{1}{2}$	13,720 62
General office expenses, $\frac{1}{2}$	64,668 98
Internal revenue, \$3,010.84	3,010 84
Postage, $\frac{1}{3}$ \$10,827.29; agency, \$36,785.48	47,612 77
	<hr/>
Cost of new business	655,945 83
First year's premiums	310,906 33
	<hr/>
Cost in excess of new premiums	345,037 50
	<hr/>
New business, 1902	\$ 14,883,327
Insurance terminated	42,281,766
	<hr/>
Insurance in force, 1901	155,358,627
Insurance in force, 1902	127,860,188
	<hr/>
Decrease	27,398,439
	<hr/>
Decrease in insurance in force, 1896-1901	169,667,434

Cost of New Business, 1902.

Commission and bonuses to agents (first year)	\$204,765 77
Salaries and allowances for agencies	150,674 39
Agency supervision and other agency expenses	69,784 02
Medical examiners' fees	29,366 92
Inspection of risks	4,328 03
Salaries of officers and employees, $\frac{1}{2}$	142,863 72
Rent, $\frac{1}{2}$ of \$72,286.68	36,143 34
Advertising	34,536 80
Printing and stationery, $\frac{1}{2}$	15,071 63
Postage, $\frac{1}{2}$	8,762 73
Furniture, $\frac{1}{2}$	2,694 55
Actuarial expenses, $\frac{1}{2}$	15,342 12
General office expenses, $\frac{1}{2}$	55,818 21
Miscellaneous expenses, $\frac{1}{2}$	107,791 36
	<hr/>
	\$877,743 59
New premiums, 1902	367,567 04
	<hr/>

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Cost in excess of new premiums.	510,276 55
New business, 1902.	14,883,327
Total terminated, 1902.	42,281,766
Insurance in force, 1901.	155,358,627
Insurance in force, 1902.	127,960,168
	<hr/>
Decrease.	27,398,439

EXHIBIT No. 40.

MUTUAL RESERVE FUND LIFE INSURANCE CO., NEW YORK.

Cost of New Business, 1903.

Commissions and bonuses to agents (first year).	\$232,821 91
Salaries and allowances for agencies.	114,007 19
Agency supervision and other agency expenses.	65,312 24
Medical examiners' fees.	13,393 53
Inspection of risks.	2,466 90
Salaries of officers and office employees, $\frac{1}{2}$	143,008 17
Rent, $\frac{1}{2}$ of \$77,464.15.	38,732 07
Advertising.	21,843 92
Printing and stationery, $\frac{1}{2}$	10,029 72
Postage, $\frac{1}{3}$; furniture, &c., $\frac{1}{2}$	6,758 87
Actuarial expenses, $\frac{1}{2}$ \$15,724.52.	15,724 52
General office expenses, $\frac{1}{2}$ \$51,773.85	51,773 85
Miscellaneous expenses, $\frac{1}{2}$ \$61,782.91.	61,782 91
	<hr/>
Cost of new business.	\$777,855 80
First year's premiums.	395,000 06
	<hr/>
Cost in excess of new premiums.	\$381,995 74
	<hr/>
New business, 1903.	\$12,527,288
Insurance terminated.	22,913,638
	<hr/>
Insurance in force, 1902.	\$127,960,188
Insurance in force, 1903.	119,596,827
	<hr/>
Decrease.	\$ 8,363,361

Summary, 1900-1903.

Total new business, 1900-1903.	\$ 49,058,980
Total insurance terminated, 1900-1903.	119,971,816
Decrease in insurance in force, 1900-1903.	69,670,547
	<hr/>
Total first year's premiums, 1900-1903.	\$1,074,133 43
Total cost of new business, 1900-1903.	2,311,343 72
	<hr/>
Cost in excess of new premiums, 1900-1903.	\$1,237,210 29

Q. What is internal revenue?—A. That is the stamps that had to be affixed to the policies.

Q. You charge a half of the salaries of officers to this. Give me your reason for doing that?—A. If there was any new business being done there would be no necessity for a large staff of officers to take care of the old business. Consequently, I think one-half of the salary paid to the officers should be charged to the cost of getting business.

Q. Their principal work is in connection with it?—A. Yes.

Q. And then travelling expenses one-half. What do you say with reference to that?—A. The same answer applies to that.

Q. And the general office expenses the same?—A. The same answer for that.

Q. Because you say at least one-half of the expenses are the cost of the new business?—A. That is as I understand it.

Q. I have a number of statistics of other companies. We have here the Ætna, the Equitable and North-Western Mutual Life. Take the Ætna Life Insurance Company, of Hartford, Connecticut?—A. Yes.

By the Hon. Mr. Loughheed :

Q. Are they assessment companies?—A. No, old life.

By Mr. Coster, K.C., Counsel for the Committee :

Q. I am giving you the results of the figures?—A. These are made out on the same principle.

Q. Allowing half of the rent and half the salaries of the employees and half of the furniture and half the printing, and so on, exactly the same principle?—A. Exactly on the same principle.

Q. Take the Ætna Life Insurance Company : In 1901 what was the comparison of the cost of new business ? In the first year's premiums there was a balance in favour of the company of \$182,535?—A. That is correct.

Q. The cost of new business, in 1902 there was a balance in favour of the company of \$220,000?—A. Yes.

Q. In 1903 there was a balance in favour of the company of \$168,778.40?—A. Yes.

By the Hon. Mr. McSweeney :

Q. That is the new business?—A. The new premium remaining after providing for all the cost of insurance.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Calculating from the same way, taking off the salaries?—A. Yes, correct.

Q. Take the Equitable Assurance Society of New York, cost of new business, 1901, \$4,712,834.16; the first year's premiums, \$6,708,656.41, showing a balance in favour of the company of \$1,995,822.25?—A. That is correct.

Q. And in 1902 a balance in favour of the company of \$1,590,478.35?—A. That is correct.

Q. And in 1903 a balance in favour of the company of \$2,298,486.94?—A. Yes, that is correct.

Q. Take the North-Western Mutual Life Insurance Company, Milwaukee, Wisconsin; in 1901, cost of new business \$1,770,651.49; the first year's premiums amounted to \$2,814,061.10, and the balance in favour of the company \$1,033,409.61?—A. Yes.

By the Hon. Mr. McMullen :

Q. Is that a mutual assessment company?—A. It is an old line mutual life insurance company.

By Mr. Coster, K.C., Counsel for the Committee :

Q. The same company in 1902 had a balance in their favour of \$1,014,013.29?—A. Correct.

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Q. And in 1903 there was a balance in favour of the company of \$437,799.44 ?—

A. Correct.

Q. Those are correctly shown by the sworn reports ?—A. Yes.

ÆTNA LIFE INSURANCE CO., HARTFORD, CONN.

COMPARATIVE STATEMENT.

Cost of New Business, 1901.

Commission and bonuses to agents (first year)	\$606,836 63
Salaries and allowances to agencies	35,539 01
Salaries of officers and office employees, $\frac{1}{2}$	97,779 56
Medical examiners' fees	74,065 00
Inspection of risks	9,442 17
Rent $\frac{1}{2}$ \$18,029.74, postage $\frac{1}{2}$ \$11,995.36	30,025 10
Furniture, &c., $\frac{1}{2}$ \$2,235.83, advertising \$15,508.05	17,743 88
Printing and stationery, $\frac{1}{2}$	10,989 50
All other disbursements, $\frac{1}{2}$	38,763 24

Cost of new business	\$ 921,184 09
First year's premiums	1,103,719 42

Balance	\$ 182,535 33
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Cost of New Business, 1902.

Commissions and bonuses to agents (first year)	\$ 613,034 38
Salaries and allowances to agencies	28,876 53
Agency supervision	20,165 36
Medical examiners' fees	73,049 50
Inspection of risks	9,736 97
Salaries of officers and office employees, $\frac{1}{2}$	90,277 17
Rent $\frac{1}{2}$ \$19,880.20, advertising \$11,880.44	31,760 64
Postage $\frac{1}{2}$ \$12,167.15, furniture $\frac{1}{2}$ \$5,498.18	17,665 33
Printing and stationery, $\frac{1}{2}$	12,293 15
All other disbursements, $\frac{1}{2}$	30,681 21

Cost of new business	\$ 927,540 25
First year's premiums	1,147,590 79

Balance	\$ 220,050 54
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Cost of New Business, 1903.

Commissions and bonuses to agents (first year)	\$ 607,758 28
Salaries and allowances to agencies	33,477 02
Supervision and other agency expenses	19,531 04
Medical examiners' fees and inspection of risks	95,782 03
Advertising \$12,571.66, rent $\frac{1}{2}$ \$24,434.04	37,005 70
Salaries of officers and office employees, $\frac{1}{2}$	93,480 95
Printing and stationery, $\frac{1}{2}$	12,833 08
Postage $\frac{1}{2}$ \$12,713.35	12,713 35
Furniture and fixtures, $\frac{1}{2}$	4,023 62
Miscellaneous expenses, $\frac{1}{2}$	24,462 95

Cost of new business	\$ 941,067 94
First year's premiums	1,109,846 34

Balance	\$ 168,778 40
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EQUITABLE LIFE ASSURANCE SOCIETY, NEW YORK.

Cost of New Business, 1901.

Commissions and bonuses to agents (first year)	\$2,659,889 31
Salaries and all other agency expenses	308,878 00
Salaries of officers and office employees, $\frac{1}{2}$	429,555 95
Medical examiners' fees and inspection of risks	476,158 05
Rent $\frac{1}{2}$ \$224,126.23, advertising \$318,342.77	542,469 00
Printing and stationery, $\frac{1}{2}$	95,864 69
Postage and exchange, $\frac{1}{3}$	37,718 33
All other expenses, $\frac{1}{2}$	180,300 83
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Cost of new business	\$4,712,834 16
First year's premiums	6,708,656 41
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Balance	1,995,822 25

Cost of New Business, 1902.

Commissions and bonuses to agents (first year)	\$3,131,823 96
Salaries and allowances for agencies	477,903 05
Supervision and other agency expenses	411,343 55
Medical examiners' fees and inspection of risks	570,292 61
Rent $\frac{1}{2}$ \$146,596, advertising \$257,082.63	421,678 63
Printing and stationery, $\frac{1}{2}$	98,641 36
Postage $\frac{1}{3}$ \$43,278.78, furniture $\frac{1}{2}$ \$11,962.26	55,241 04
All other expenses, $\frac{1}{2}$	173,536 32
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Cost of new business	\$6,340,461 52
First year's premiums	7,930,949 87
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Balance	\$1,590,478 35

Cost of New Business, 1903.

Commissions and bonuses to agents (first year)	\$3,585,596 14
Salaries and allowances for agencies	564,636 87
Supervision and other agency expenses	464,697 94
Medical examiners' fees and inspection of risks	830,961 23
Salaries of officers and office employees, $\frac{1}{2}$	544,484 11
Rent $\frac{1}{2}$ \$146,596, advertising \$323,328.77	469,924 77
Printing and stationery, $\frac{1}{2}$	112,012 59
Postage $\frac{1}{3}$ \$51,205.82, furniture $\frac{1}{2}$ \$19,104.03	70,309 85
All other expenses, $\frac{1}{2}$	215,914 39
<hr/>	
Cost of new business	\$6,858,137 89
First year's premiums	9,156,624 83
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Balance	2,298,486 94

Increase in insurance in force 1900-03, \$293,043,695.

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NORTH-WESTERN MUTUAL LIFE INS. CO., MILWAUKEE, WIS.

Cost of New Business, 1901.

Commissions and bonuses to agents (first year)	\$1,218,415	76
Medical examiners' fees	135,986	15
Inspection of risks	22,264	81
Salaries of officers and office employees, $\frac{1}{2}$	222,678	05
Rent $\frac{1}{2}$ \$17,900, advertising \$4,846.34	22,746	34
Printing and stationery, $\frac{1}{2}$	20,047	14
Postage $\frac{1}{3}$ \$23,418.63, furniture $\frac{1}{2}$ \$1,290.71	24,709	34
All other expenses, $\frac{1}{2}$	103,773	90
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Cost of new business	\$1,770,651	49
First year's premiums	2,814,061	10
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Balance	\$1,043,409	61

Cost of New Business, 1902.

Commissions and bonuses to agents (first year)	\$1,283,240	98
All other agency expenses	10,841	64
Medical examiners' fees	151,994	60
Inspection of risks	19,994	60
Salaries of officers and office employees, $\frac{1}{2}$	456,296	20
Rent $\frac{1}{2}$ \$18,650, advertising $\frac{1}{2}$ \$27,781.72	21,431	72
Postage $\frac{1}{3}$ \$23,793.49, furniture $\frac{1}{2}$ \$1,290.51	25,084	00
All other expenses	81,674	22
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Cost of new business	\$2,049,918	12
First year's premiums	3,063,931	41
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Balance	\$1,014,013	29

Cost of New Business, 1903.

Commissions and bonuses to agents (first year)	\$1,677,032	02
Travelling and other agency expenses	11,191	31
Medical examiners' fees	149,707	00
Inspection of risks	21,115	51
Salaries of officers and office employees, $\frac{1}{2}$	240,941	21
Rent $\frac{1}{2}$ \$20,792.50, advertising \$6,101.10	26,893	60
Printing and stationery, $\frac{1}{2}$	255,000	14
Postage $\frac{1}{3}$ \$27,567.82, furniture $\frac{1}{2}$ \$1,769.65	29,337	47
All other expenses, $\frac{1}{2}$	28,679	70
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Cost of new business	\$2,439,897	96
First year's premiums	2,877,697	40
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Balance	\$ 437,799	44

Q. What was the effect of this on the whole business of the company?—A. The effect is to largely increase the cost of the old business, because whatever amount is

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paid out for expenses of getting new business in excess of what the new business produces must come from the proceeds of the business.

By the Chairman:

Q. From the old policy-holders?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. So that that annual loss on the getting of new business had to be paid by the old policy-holders?—A. It had.

Q. And what you say is that there should have been a balance in favour of the company instead of a balance against the company?—A. I do.

Q. Here is a summary of the commissions, &c., paid to agents, 1890 to 1903, Exhibit 42, which reads as follows :

(Exhibit No. 42).

MUTUAL RESERVE FUND LIFE ASSOCIATION.

COMMISSION, ETC., PAID TO AGENTS, 1890-1903.

Year.	New Business.	Insurance in force.	Increase.	Decrease.	Commissions paid Agents, salaries of Agents, etc.	Amount to each \$1,000 of New Business.
1890	37,697,685	197,003,435	15,645,235		357,751	\$ 9.49
1891	44,318,965	215,207,910	18,204,475		373,505	8.43
1892	48,646,650	236,421,790	19,213,880		422,873	8.68
1893	57,749,670	262,607,065	26,185,275		465,808	8.06
1894	66,408,225	293,366,106	30,759,047		629,332	9.47
1895	59,738,790	308,659,371	15,293,265		591,290	9.08
1896	73,026,330	325,026,061	17,366,690		567,633	7.77
1897	56,234,785	301,567,101		23,458,960	712,276	12.68
1898	32,027,390	269,169,321		32,397,780	705,878	22.03
1899	22,934,580	212,773,786		56,395,535	393,139	17.13
1900	64,501,751	189,267,374		23,506,408	372,918	5.75
1901	21,648,365	155,358,627		34,909,147	469,402	321.68
1902	14,883,327	127,960,188		27,398,439	595,950	33.32
1903	12,527,288	119,596,827		18,363,361	520,788	41.42

The following items are included in the above table each year; first year's commissions: renewal and commuted commissions; salaries and allowances of managers and agents not paid by commissions and agency expenses. Renewal commissions were not reported separately prior to 1897.

RENEWAL AND COMMUTED COMMISSIONS.

Year.	Renewal Commissions.	Commuted Commissions.	Insurance in force.
1897	65,575 22		301,567,101
1898	180,342 53		269,169,321
1899	76,933 14		212,773,786
1900	151,115 30		189,267,374
1901	82,978 05	211,666 67	155,358,627
1902	96,226 11	74,500 00	127,960,188
1903	83,646 86	25,000 00	119,596,827

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The sworn report shows that on December 31, 1897, agents' credit balances \$5,438.14. If the renewal commission on \$301,567,101 of insurance in force in 1897 was only \$63,575.22, how could it amount to \$180,342.53 on \$269,169,321 of insurance in force in 1898?

The same question applies to 1900.

New business written, 1895-96..	\$132,765,120
New business written, 1897-98..	88,252,175
	\$ 44,512,945
Commissions paid agents, &c., 1897-98..	\$ 1,418,154
Commissions paid agents, &c., 1895-96..	1,158,923
	\$ 259,231

Q. What would be the average premium per thousand about? Could you say, roughly speaking?—(No answer).

By the Hon. Mr. Lougheed:

Q. Is that an approximate estimate, the proportion of the entire expenses of the company?—A. That is made up solely of commissions paid to agents, salaries of agents and medical examiners' fees and inspection of risks. It does not include any salaries as in the other case.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Just the actual amount.

By the Hon. Mr. Lougheed:

Q. Then the cost of the last new business would far exceed the premiums per thousand? The premium per thousand would not amount to \$40. What would it average?—A. I figured it out some months ago, if I remember rightly, about \$32.

Q. Taking the items that enter into expenses, they would be made up of commissions in the first instance. What would be the proportion of commissions. What commission was allowed to agents say on the first premium?—A. The usual commission is about 75 per cent on a brokerage contract where you get nothing else, where you have no renewal.

Q. No renewal would come into consideration?—A. Yes.

Q. A payment of commission on the first premium?—A. It includes renewal and all commissions in here.

Q. You do not include the renewals under new business?—A. Yes, that is the cost of new business, because if you were not doing any new business the renewals would increase the receipts.

Q. But Mr. Coster had reference to the new insurance which had been secured by the company in that statement?—A. Yes.

Q. You refer to the new business which had been secured to the company?—A. Yes.

Q. 75 per cent of the first premium, was paid upon commission?—A. Thereabout, I cannot speak concisely or definitely on that, but taking the usual practice of life insurance companies it would be 50 per cent to 75 per cent.

Q. What is the next item entering into securing the new business?—A. Salaries and travelling expenses of agents and managers.

By the Hon. Mr. Béique:

Q. 75 per cent is supposed to be the commission if there is no salary?—A. But there are a large number of agents who are paid salaries.

By the Hon. Mr. Lougheed:

Q. Are their duties confined to obtaining new business or do their duties include looking after old business?—A. Their duties are in connection with the new business. The salaries of managers and allowances to agents, the cost of an office in Canada where an agent might have a fixed salary at fifty dollars or one hundred dollars a month and a commission on all the business besides that.

By the Hon. Mr. Watson:

Q. Would he get the 75 per cent commission?—A. No, he would not get the same commission as if he had no salary.

By the Hon. Mr. B eique:

Q. I understood you to say before that if the agent is merely on commission that it would be about 75 per cent commission?—A. That is practically it.

Q. But the commission may be less and he may be given a salary?—A. Yes, that is included, because in the sworn report that item is there, 'Salaries and allowances to agents not paid by commission'.

Q. Take an agent at an office who is paid the regular salary, his time is devoted not only to the new business but to the old business also?—A. No.

Q. Only to the new?—A. Entirely looking after new business and agency business.

Q. Does he not see to the collection of the premiums on the old policies?—A. If he does he is paid a commission for that besides. In the official report that appears under the heading of 'cost of collection'.

Q. You find in the report all the expenses chargeable to the new business?—A. Yes.

Q. Entirely?—A. Yes.

Q. 75 per cent and what other expenses would go to that?—A. The medical examiners' fees and inspection of risks.

By the Hon. Mr. Lougheed:

Q. What would you estimate that?—A. It is all the way from three to five dollars.

By Mr. Coster, K.C., Counsel for the Committee:

Q. This is made from the sworn report?—A. Yes.

Q. It is not estimated?—A. No.

By the Hon. Mr. Lougheed:

Q. We would like to know how the difference is made up between five and forty dollars?—A. An agent has to make his living by commissions, and he can afford to take 50 per cent in a strong life insurance company and make more money out of it at 50 per cent, because he can get the business so much easier than he can in a company that is in bad repute or a new company which has not the standing before the public, and therefore the company has to pay more for the business in commissions.

Q. Did that apply to this company, say at the stage when they were doing business at \$5?—A. No. You could write business very easily at that time, because the company was in excellent position and very popular.

Q. You seemingly did business cheaper in 1900 than in 1898?—A. The apportionment of rates in 1895 and the reasons for the apportionment were such that the policy-holders became satisfied and it did not do the company, for the time being, very much injury; but when the reapportionment of rates was made a few years afterwards and policy-holders assessed at attained age it changed the grand army of friends into a host of enemies and everyone went against it and the agents could do no business.

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By the Hon. Mr. Watson:

Q. What year was that?—A. About 1897, '98 and '99.

Q. Was 1899 the lowest?—A. 1900 was the lowest.

Q. The company got into bad repute in 1897, '98 and '99?—A. Yes.

Q. How do you account for 1900 being the lowest?—A. I account for it by the fact that there is included in new business, according to Mr. Eldridge's testimony, \$30,000,000 taken over in a lump sum from the North-Western; the real new business was only \$22,000,000, and if it was figured on the same basis as was the other business—

Q. Could you tell me the average cost of doing business of similar companies, per thousand?—A. I have not figured it out on the other companies, but from the commissions paid to agents, and examination fees, and so on, I should think it would be probably about 75 per cent of the first year's premiums in commissions or probably—well, I have not figured it out. I could not say what the cost would be per thousand.

By the Hon. Mr. Lougheed:

Q. Is that the only explanation of the unpopularity of the company that the new business cost more than the average premium per thousand? When did it reach the water mark?—A. 1903.

By the Hon. Mr. Watson:

Q. What is the average cost per thousand of companies doing business?—A. I do not know.

Q. You thought it would cost about 75 per cent to get the premium? I want to get the average of annual cost?—A. You want to get the cost of new business?

Q. Yes, and I want to get the average cost to the company of doing the business per thousand?—A. Well, I can tell you the average annual expense within a very close approximate, because I am thoroughly familiar with that.

Q. What is that?—A. It varies all the way from \$5 in some companies up to \$10 and \$12.

By the Hon. Mr. McSweeney:

*Q. There is a statement here that it cost them \$5.61 per thousand of insurance carried for the expense of doing business?—A. That was true in some years.

Q. That is the statement of the company?—A. 1901.

Q. Look at that?—A. I do not need to look at that if it does not say the year. I know the cost of business to the Mutual Reserve Fund Life Association up to 1896 was only a few cents over \$5 a thousand.

By the Hon. Mr. Lougheed:

Q. But the explanation of the excessive cost was owing to the unpopularity of the company?—A. Yes.

By the Hon. Mr. McSweeney:

Q. As an average would it be correct?—A. As an average it would not be correct. Well, it might be correct covering the whole experience of the company.

Q. But you do not think it is, though?—A. No.

By the Chairman:

Q. Not for the thirteen years you have figured it?—A. Not on the years I have figured it, it is not correct.

Q. That low year of 1900 is the year the company took over the insurance of the Western of \$30,000,000?—A. Yes.

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Q. That would only cost a few cents on the thousand to get it over?—A. I do not see that it could be called new business—it was reinsured business.

Q. That is the year it was put down to \$5.75?—A. Yes. I took the figures I found in the sworn report. I cannot do anything else.

By the Hon. Mr. Landry:

Q. How many does that cover?—A. Thirteen. That is the cost of new business. That is not the general cost.

Q. It does not include the cost of administration?—A. No.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I see by Exhibit 42, that in 1897 the renewal commissions amounted to \$63,575.22, and that in 1898 the renewal commissions amounted to \$180,342.53, and in 1897 the insurance in force was \$301,000,000; in 1898 the insurance in force was \$269,000,000. How do you account for the great difference of over \$120,000 between 1897 and 1898 paid in renewal commissions?—A. I do not believe it was ever paid in renewal commissions, not that whole amount. I believe that the amount stated as having been paid in renewal commissions is overstated by nearly \$100,000; the reason for that being that there could not possibly be only \$63,575 of renewal commissions payable under \$300,000,000 of insurance in force and \$180,000 of renewal commissions payable on \$269,000,000 in force. I believe that that is as clearly as can be fictitious and untrue, and was never paid for that purpose.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What year was that?—A. 1898.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I see from Exhibit No. 42, that in 1891 there was \$76,000 of renewal commissions on \$212,000,000 of business?—A. I believe also that that is overstated for the same reason, that there was only \$212,000 in force, and the amount paid in renewal commissions is greater than when \$300,000,000 was in force in insurance.

Q. In 1900 there was paid \$151,115.30 on renewal commissions when the insurance in force was only \$189,000,000; what do you say about that?—A. I believe that that is overstated by at least \$100,000 for the same reason.

By the Chairman:

Q. Where did this money go to?—A. I cannot tell that, but I can say from my knowledge of the insurance business, that that could be entered as renewal commissions, and under commission your examiner would not know as to whether it had been so paid or whether it was so due unless he had all the contracts made with agents, and vouchers for it.

Q. Which he would not have?—A. He would not have, so he could not verify whether the figures were correct or not.

Q. He must take the company's word for it?—A. I mean as done by the Mutual Reserve Fund Life Association, not by other companies.

By the Hon. Mr. Landry:

Q. What is the proportion of the renewals compared to the amount of the insurance in force?—A. I have not figured it out on that business. I could tell you this evening, if you wish. I would have to figure it out. Before we leave this question, so that the Committee may intelligently understand the position and that I may not be put in a false position; when a company makes a contract with an agent, that contract either provides that all his remuneration shall be on the first year's premiums, which is called a brokerage contract, and in that case it would be much higher

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if there was a renewal commission, but they also make contracts, and a large number of them, where they pay a certain amount of the first year's premiums in commission and then on the second and subsequent years, some extending throughout the lifetime of the policy and sometimes limited to ten or fifteen years. He gets a small commission when the premiums are paid, varying from a local agent, say seven per cent, to a general agent, who has a large extent of earnings, ten per cent; so that if a policy-holder that he had insured paid the second year \$200 of premium, his renewal commission, if it was ten per cent would be \$20, and that is what is referred to by these renewal commissions, and they could not be payable under contracts made in the year 1899, because there would be no renewal commissions under any contract made that year. It must be in the previous year.

By the Hon. Mr. Lougheed :

Q. Why ?—A. Because the renewals would not have matured. I make a contract paying 50 per cent on the first year's premium, this year for example, and then seven or ten per cent next year, and this renewal could not be included. No part of that money was on contracts made in the year 1899.

By the Chairman :

Q. There is one thing about this ; there would be less renewals on \$200,000,000 than on \$300,000,000 ?—A. That is absolutely so. It is a mathematical impossibility that that \$180,000,000 is a truthful statement of the purposes for which that money was expended, according to my views of it.

By the Hon. Mr. Béique :

Q. It is an item which can be explained perhaps ?—A. I do not think so. The way the business used to be conducted when I was there I do not see how it could be explained.

By the Hon. Mr. Landry :

Q. Supposing in one year I paid 75 per cent to the agents all through.—A. Yes.

Q. Then there would be for that year no renewals ?—A. That would be a brokerage commission.

Q. You would find no renewal ?—A. No.

Q. And I did \$300,000,000 of business ?—A. Yes.

Q. And the second year I did business for \$200,000,000 ?—A. Yes.

Q. And I pay only 50 per cent and the third year I pay seven or ten per cent or fifteen on a less amount of money ?—A. I do not think you understand it. Start with your contract first. What is your contract which you have with the company ? You have a contract with the company agreeing to pay you 75 per cent on the first year's business.

Q. This is on the new business ?—A. Yes. You had \$20,000,000 of business and paid 75 per cent, and you have a renewal commission of 10 per cent and the second year you had \$20,000,000 and you got 75 per cent on the \$20,000,000 you had that year and seven or ten per cent, or whatever it is, on all that pay the premiums on the business you did the previous year.

Q. You said the 75 per cent was not always paid for the first year's business. Sometimes it might be only fifty per cent ?—A. That is right.

Q. But the balance would be paid subsequently on the following years ?—A. As renewals.

Q. The more I get the first year the less I get in the subsequent years ?—A. That is correct.

Q. So that I may make more business the second year and yet have less money by the renewals ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. In 1901, I see the renewal commissions were \$82,978.05 and that your commuted commissions \$211,666.67 and insurance in force was \$155,000,000. What have you to say about that?—A. I think Mr. Eldridge has testified in his evidence that the larger proportion of that entered there as commuted commissions was paid to Mr. Merriam, who obtained the transfer of the North-western business to the Mutual Reserve.

Q. Would that be commuted commissions?—A. That ought, in my opinion, to be called cost of new business and ought to be included under that \$64,000,000.

By the Hon. Mr. Lougheed:

Q. A commuted commission would not be paid?—A. Perhaps I had better explain what a commuted commission is. The commuted commission is, the company buying the renewal commission from the agent. For example the agent has \$10,000 of renewal commissions and they pay five years for that; that is \$50,000—commuted at five years, and this leads me to think—I have not the information to warrant me in thinking otherwise—that possibly this man Merriam had a renewal commission from the North-western business, and that they commuted it at \$212,000, but at any rate, it should be put down as cost of new business, in my opinion.

By Mr. Coster, K.C., Counsel for the Committee:

Q. In 1902, I see \$96,266.11 of renewal commissions, and commuted commissions of \$74,500, and the whole insurance in force \$127,000,000?—A. I cannot possibly explain how there could have been paid \$211,000 in commuted commissions by any renewal commission as it was, and then there should be payable \$14,000 more in renewal commissions in 1902 than there was in 1901, on about \$34,000,000 less insurance in force, after having bought up renewal commissions to that amount of renewals paid, which I cannot explain.

Q. And renewal commissions as compared with 1897—what would that difference be? \$33,000?—A. Yes.

Q. \$33,000 more renewal commission than in 1897, with a very little more than a third of the business?—A. Yes.

Q. In 1903, you have \$83,000 of renewal commission, and \$25,000 of commuted commissions, on \$119,000,000 of business. Your remarks apply to that, as before. You do not think those items are correct?—A. Why, up to that time, there had been paid about \$100,000 in buying up renewal commissions, called commuted commissions, and the business had gone from \$155,000,000 in 1901, to \$119,000,000 in 1903.

Q. In other words, with \$301,000,000 insurance in force, they paid \$83,000 of renewal commissions, that they then paid in renewal commissions, the same on \$311,000, in commuted commissions, and yet the renewal commissions increased to \$83,000 in 1903?—A. That is the renewal commissions in 1903 on \$119,000,000 was more than \$20,000 greater than the renewal commission paid in 1897 on three hundred million.

Q. And, in the meantime, they had paid out \$311,000 for commuting the commission, and it increased \$20,000. In 1902 it was \$33,000 of an increase on that amount of business. You say that is a practical impossibility?—A. For all I know of the business, and in my own mind, I am convinced the figures are not correct, that they do not represent the purposes for which that money was expended, and in that particular respect it was noteworthy that in 1898, that when that \$180,342.53 was credited as having been paid in renewal commissions, is the time about which there has been so much dispute during the Moss management, and referred to by the Superintendent of Insurance in his official report of the examination made, and also to the further fact that in the year 1900, when suits that had been referred to here, were going on, that year there was \$151,000, against \$76,000 the previous year.

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By the Hon. Mr. Béique:

Q. You suspect the cause of swelling this item?—A. I do. I should like to add something. That cheque that was presented here of \$5,000 is a fair sample of what I mean in my charges of false entries being made in the books of the company for moneys expended, covering the real purposes for which it was used. No doubt that cheque is entered in the books of the Mutual Reserve as legal expenses paid to James, Schell & Elkus.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Do you know that?—A. I have no doubt of it.

Q. Do you know it?—(No answer.)

By the Chairman:

Q. You got the money?—A. Yes.

Mr. GEOFFRION.—I object that this witness swears to an entry in the book without having seen it.

WITNESS.—I have no doubt an examination of the books of the company will show that that particular amount is charged as legal expenses, whereas the actual purpose for which that money was expended, was to give it to me.

By the Hon. Mr. Béique:

Q. How should it be charged? To what account?—A. A company that was honestly and properly managed and conducted its business so that it was not afraid to allow—

Q. You say that it would be a wrong entry, if the entry was made as you surmised: How should the entry be made? Under what account should the \$5,000 have been charged? You say it should not be charged to legal expenses. To what should it be charged?—A. To damages paid to J. Thompson Patterson, \$5,000. That is the honest way to put it, because that is what it was.

Q. What difference would it make?—A. Then the examiner on going there would be able to inquire what was the cause of the \$5,000 they had to pay to J. Thompson Patterson; whereas the examiner goes in now, and sees 'legal expenses, \$5,000, James, Schell & Elkus,' and they cannot go behind that.

Q. Are not items of that kind usually charged to legal account?—A. I cannot answer that question—not in an honestly managed concern of any kind.

Q. Then the next exhibit is No. 43, income, disbursements and net assets, and reads as follows:—

MUTUAL RESERVE FUND LIFE ASSOCIATION.

Net or invested assets, including 'agents' ledger balances secured, \$314,462.59' and furniture and fixtures, \$41,640.77, December 31, 1895, \$3,967,316.25.

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INCOME, DISBURSEMENTS AND NET ASSETS.

Table compiled from sworn reports, showing total income, total disbursements and total net assets, December 31 of each year, including cash in office, in banks and with collectors:—

Year, Dec. 31.	Total Income.	Total Disbursements.	Total net Assets Dec. 31 each year.
	\$	\$	\$
1896.....	5,858,476 97	5,585,417 69	4,021,140 29
1897.....	6,081,309 87	5,963,082 87	4,139,367 29
1898.....	6,134,327 27	6,375,939 30	3,334,169 78
1899.....	5,192,030 21	5,755,728 22	2,672,873 65
1900.....	5,333,969 80	5,077,247 84	2,849,875 77
1901.....	6,700,222 38	6,850,079 27	2,611,790 19
Totals.....	35,300,336 50	35,607,495 69	19,629,216 97

Net or invested assets, December 31, 1895. \$3,967,316 25
 Net or invested assets, December 31, 1901. 2,611,790 19

Decrease. \$1,355,526 06

The \$1,355,526.06 decrease in net assets is accounted for, in part, as follows:—

Disbursements in excess of income, 1896-1901. \$ 317,159 69
 Furniture and fixtures, December 31, 1901. 69,617 84
 'Agents' ledger balances secured' December 31, 1895. 314,462 50
 Loss on disposal of real estate, 1899. 1,856 10

\$ 693,096 22

Agents' ledger balances, and furniture and fixtures are not included in net assets, December 31, 1901.

The balance to be accounted for after deducting the \$693,096.22 as above is \$664,429.84.

In the sworn report, December 31, 1895, page 2, line 4, there appears the following item in invested assets:—

'Agents' ledger balances secured'. \$314,462 59

If no part of this \$314,462.59 'secured' was lost, the amount to be accounted for is \$967,892.43.

Where did you get the information contained in that statement?—A. I obtained the figures from the sworn reports of the Mutual Reserve Fund Life Association, to the Insurance Department of the State of New York.

Q. And the figures contained therein are as shown in the sworn report?—A. Yes, they are correct.

Q. You have a copy of that table there. What do you mean by net or invested assets?—A. Those are the assets which the company has invested, and consist either of cash or of bonds and mortgages admitted by the Insurance Department of the State of New York.

Q. And available for the payment of death losses. Is that what you mean?—A. Part of that would not be available for death losses.

Q. At any rate, this would be the whole of the actual invested assets of the company?—A. Yes.

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Q. And when you say that the whole of it would not be available for the payment of death losses, what do you mean by that?—A. I mean the amount represented by the Mutual Reserve building is not available, and the amount of deposits in foreign countries, of which Canada is one, are not available for the payment of death losses.

By the Hon. Mr. Béique:

Q. But they would be able to go after the company in Canada for the death losses?—A. After the thing was in the hand of a receiver, but not before.

Q. If a judgment was recovered, it could be satisfied?—A. I fancy it could, but I cannot pass on that.

By the Hon. Mr. Lougheed:

Q. If not available for death-losses, what would they be for?—A. They are held there for the protection of policy-holders in that country, to be held as long as the company continues to do business, because if the company should at any time withdraw from the country, that money would be there, to, in part, pay up the death losses—no, I wish to take that back, and correct that statement. I am trying to testify here as honestly and intelligently as I can. No part of that money is available for the payment of death losses, so long as the company remains solvent, as I understand it—no part of the money.

By the Hon. Mr. Béique:

Q. It is a kind of reserve?—A. It is a condition—

The CHAIRMAN.—It is a guarantee.

Hon. Mr. BÉIQUE.—That is not a matter of evidence.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I see by this statement, that the net or invested assets, December 31, 1895, were \$3,967,316.25, and on December 31, 1901, \$2,611,790.19, a difference against the company, a decrease of \$1,355,526.06. That is correct, is it?—A. Yes.

Q. That is what is shown by the sworn report?—A. Yes.

Q. How do you account for that \$1,355,526.06 decrease in the net assets?—A. I can account for it in part by the fact that the disbursements in the years 1896 to 1901, all the assets inclusive, exceeded the income by \$309,157.69, and that there was included in the invested assets, December 31, 1895, furniture and fixtures and agents' balances. Deducting that net amount agents' balances, \$314,462.69, and furniture and fixtures, as of December 31, 1901—both were included, and it should be deducted—and it is a larger amount than in 1895—\$69,000. Add these together, and they make \$693,096.22, which, subtracted from the \$1,355,526, leaves \$664,429.84 that I cannot account for in any way.

By the Hon. Mr. Lougheed:

Q. Was there any depreciation in any security?—A. There was a loss on real estate, 1899, of \$1,856.10. The only way it could be accounted for is that it was written off and agents' balances paid to agents in addition to what has been paid to agents. I should like to state that in that item of agents' ledger balances included in the assets December 31, 1895, the item appears in the sworn report 'agents' ledger balances secured.' Well, if you take it for granted that these agents' balances being secured, no part of it was lost, then there has to be accounted for \$967,892.43.

Q. Which you cannot account for?—A. Which I cannot account for, taking as an accountant, charging the disbursements and all the items, and then adding it up, and taking the assets December 31, 1895, and 1901, and that is the condition of affairs,

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and if I were an accountant, and passing on the financial condition of the institution, I would say the \$664,000 was totally unaccounted for.

By the Hon. Mr. Béique:

Q. You would ask the company to say whether they could account for it before passing that judgment?—A. Yes.

Q. Senator Lougheed asked you the question whether it could not be by depreciation of the buildings, for instance, real estate?—A. No, the building has increased.

Q. Had they any stocks or anything of that kind by way of security?—A. No, that is specially reported to the Superintendent of Insurance, and there is a matter in 1899, loss on disposal of real estate, \$1,856.10. That is all the depreciation I have considered.

By the Chairman:

Q. The property has gone up in value?—A. Yes.

By the Hon. Mr. Béique:

Q. You have stated the difference between 1895 and 1901. Was it a gradual difference from year to year?—A. Yes, practically so.

By the Hon. Mr. Lougheed:

Q. How about the premium notes?—A. No premium notes are included in this statement. They were never in the New York report, until 1902.

By the Hon. Mr. Béique:

Q. As a matter of fact, you are quite satisfied it is unaccounted for?—A. It is accounted for, probably, in the amount paid to agents, but it does not appear in these reports. It cannot be accounted for, taking it without any further explanation.

By Mr. Coster, K.C., Counsel for the Committee:

Q. The next exhibit is No. 44, and reads as follows:—

(*Exhibit No. 44.*)

MUTUAL RESERVE FUND LIFE ASSOCIATION.

'Selection against the Company.'

Number of members, December 31, 1895, age 60 and under	100,458
Number of members, December 31, 1901, age 60 and under.	61,028
Decrease.	39,430
Number of members, December 31, 1895, age 61 and over.	5,420
Number of members, December 31, 1901, age 61 and over.	7,768
Increase.	2,348

NOTE.—The number of members, at the various ages is not given in reports subsequent to 1901.

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Death Rate and Expenses Increasing.

Year.	Death Rate per \$1,000 Mean Insur- ance in Force.	Expenses to each \$1,000 Mean Insur- ance in Force.
	\$ cts.	\$ cts.
1899.....	21 08	7 25
1900.....	20 86	9 93
1901.....	26 78	10 29
1902.....	21 64	11 87
1903.....	23 09	11 69

Increasing Cost Caused Increased Death Rate.

'The numbers going out with the increasing rates was undoubtedly the cause of the death rate going up. It was inevitable that in such a case the better risks would get out, leaving the risks that remained impaired as to quality, and thereby producing a heavier death rate, and that is what really happened.' (Testimony of Geo. D. Eldridge, actuary, Part 2, page 58.)

Death Rate should not Exceed 12 per 1000.

'The close conformity of this rate to that experienced by active life insurance companies is remarkably noteworthy, and clearly shows that in any community or mass of lives, subject to practically uniform increment or decrement, the death rate will, after having once attained, in a general community, about twenty-three to a thousand, or in a life insurance organization about twelve to a thousand, remain thereafter practically uniform.' (Agents' Manual, Mutual Reserve Fund Life Association, 1897 edition, page 73, by Geo. D. Eldridge, actuary.)

'The full tabular death ratios of the American Experience Table of Mortality, a rate of death decrement that has never been shown by any active life insurance company, have been taken for determining the amount of death claims payable.' (Agents' Manual, Mutual Reserve Fund Life Association, 1897 edition, page 87.)

What do you mean by selection against the company?—A. That is a term used in life insurance, where the better class of lives, younger and more healthy class, leave the company, and consequently leave the older and impaired lives with the company, the effect of which is to cause an increase in the mortality experience of the company, which goes on and on, getting greater and greater, until it wrecks the company, and all life insurance companies endeavour to fine a man if he gets out of the company, by retaining a certain portion of his reserve, if he takes a cash surrender value, to provide against that selection as far as possible.

Q. Look at Exhibit 44, marked as 'Selection against the company.' Where did you get the information contained in that?—A. From the sworn reports of the Superintendent of Insurance of the State of New York.

Q. And also from the sworn evidence of Mr. George D. Eldridge?—A. Yes, and his published works.

Q. And those are accurately stated here?—A. The figures and quotations are accurate.

Q. In 1895, I see that the number of members aged 60 and under, is 100,458?—A. That is correct.

Q. And in 1901, there were 61,028, or in other words a decrease of members aged sixty and under, of 39,430?—A. That is correct.

Q. And of the members in the same time, of the age of sixty-one and over, there was an increase of 2,348. Is that right?—A. That is correct.

Q. What was the effect of that on the business of the company?—A. The effect of that is, that it has caused, for the want of a better term to express it, a small-pox hospital death rate, and an abnormal death rate.

Q. And could that have been remedied in any way by the management?—A. It never would, in my opinion, have existed, had it not been that by the peculiar methods adopted by the management, the members and the public generally lost entire confidence in the management and in the company, and the better and younger class of men that could get insurance elsewhere have left the company and taken insurance elsewhere, and the older class of men beyond insurable age, who have been in ill-health, have been forced to remain in the company, and thereby are causing an increase in the death rate, which will, in my opinion, based on an examination of the experience of life insurance, or study of life insurance, will continually increase—

By the Hon. Mr. Loughheed:

Q. That is the logical sequence?—A. Yes.

By the Hon. Mr. Béique:

Q. It is the sequence of the unpopularity of the company?—A. Yes, and it is the sequence of the mistake of the company in taking over and reinsuring other companies: Take the North-western Life Insurance Company, for example, we find that on examining this record, that the number of members aged sixty-one and over, the year after the reinsurance of the North-western, was very much larger than the previous years, some two or three thousand members, if I recollect rightly.

By Mr. Coster, K.C., Counsel for the Committee:

Q. And the result was, the death rate increased, and the expense increased?—A. Yes.

Q. How does the death rate of this company from 1899 to 1903, compare with that of other companies, do you know?—A. Taking the Bankers' Life in comparison, it is at least three times larger. The death rate of the Mutual Reserve Fund Life Association for the years ending December 31, 1899, 1900, 1901, 1902 and 1903, is more than three times larger than the Bankers' Life.

By the Hon. Mr. Watson:

Q. I asked a question yesterday morning, if the Bankers' Life was open to the general public for insurance, the same as the New York Mutual Reserve? The answer was that it was open to the public. I have been informed that such is not the case. What is your opinion?—A. I should like the Honourable Senator to explain what he means by open to the public.

Q. I was informed by a Senator who has friends in the United States, connected with the banks there, that he was informed that he could not get insurance in that association; that he had to be connected with the banks?—A. That is absolutely not the case in the Bankers' Life of Des Moines, Iowa. Anyone who can comply with the conditions of the Bankers' Life can get into it, and the conditions are that he must not exceed a certain age, and that he must be in good health.

By the Hon. Mr. Béique:

Q. What age?—A. I think 55.

By the Hon. Mr. Loughheed:

Q. What is the limit of the Mutual Reserve?—A. The age is sixty. Probably this gentleman has been misled by the fact that the Bankers' Life requires a banker
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to pass on every application ; that is, if you are making application to the Bankers' Life to-day you would have to be passed by a medical examiner, and some banker would have to O.K. the application, as to your moral hazard and your character, and so on.

By the Hon. Mr. Watson:

Q. A man has to be a customer of the bank that passes upon it?—A. He has not.

Q. You state that he must have knowledge of him, that he must do business with the bank when he passes on the application?—A. I stated that you had to get your own banker or some other banker to pass on the application.

Q. They are very select risks?—A. Certainly. That is one of the things I commend them in. There is no reason why any other life insurance company should not take the same care.

The Committee adjourned till 8.15 p.m.

(Exhibit No. 15.)

(This exhibit was referred to in the examination of Mr. Patterson, but was not formally filed at the proper time.)

Income and Expenses.

TABLE showing total income and amount expended in management to each \$1,000 of income.

Year.	MUTUAL RESERVE FUND.		BANKERS' LIFE ASSOCIATION.	
	Income.	Expenses.	Income.	Expenses.
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1896.	5,858,476 97	272 46	950,727 69	190 54
1897.	6,081,309 87	296 06	1,172,695 90	151 09
1898.	6,134,327 27	292 09	1,317,376 40	153 55
1899.	5,192,030 21	263 36	1,505,025 48	146 77
1900.	5,333,969 80	245 09	1,639,939 51	134 80
1901.	6,700,222 38	264 82	1,577,270 44	151 68
1902.	5,025,862 99	334 91	2,121,228 90	191 90

Premium Note Account, 1902.

In the income of the Mutual Reserve Fund Life Association for the year ending December 31, 1902, page 8 of the sworn report to the Insurance Department of the State of New York, there is about \$608,004.35 of premium notes. Consequently, the actual cash income for the year 1902 was only \$4,417,853.64, being \$2,282,368.74 less than the cash income for the year ending December 31, 1901.

In the year 1902 the Mutual Reserve Fund Life Association Company expended \$381.01 in management to each \$1,000 of its cash income.

The Committee met at 8.15 p.m.

Examination of J. T. PATTERSON continued.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Look at Exhibit No. 45, showing total death claims paid and death claims compromised. Did you make up that schedule?—A. I did.

(Exhibit No. 45.)

MUTUAL RESERVE FUND LIFE ASSOCIATION.

Total Death Claims Paid and Death Claims Compromised.

Total death claims paid.			Death claims compromised.		
Year.	Number of Policies.	Amount paid.	Number of Policies.	Face value of Policies.	Amount paid.
		\$		\$	\$
1897.....	1,352	4,060,479	67	230,714	81,366
1898.....	1,352	3,887,501	116	410,881	128,494
1899.....	1,369	3,840,679	145	429,693	170,582
1900.....	1,190	3,302,190	118	368,995	149,296
1901.....	1,908	4,789,293	324	960,252	574,136

Number Paid in Full and Number Compromised.

NUMBER of policies paid in full—Number compromised—The per cent of number compromised to number paid in full, and the per cent of the face value paid on compromised claims.

Year.	Number of policies paid in full.	Number of policies compromised.	Per cent of number paid in full.	Per cent of face value paid as compromise.
1897.....	1,285	67	5.22	35.27
1898.....	1,236	116	9.38	31.27
1899.....	1,224	145	11.03	39.96
1900.....	1,072	118	11.01	39.38
1901.....	1,584	324	20.45	59.79

Average Amount Paid—Compromise, 1901.

Average amount paid on 78 \$ 1,000 policies.....	\$ 495
“ “ 24 3,000 “	1,657
“ “ 48 5,000 “	3,765
“ “ 12 10,000 “	7,031

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A Few of the Reasons for Compromise.

	No. 1897.	No. 1898.	No. 1899.	No. 1900.	No. 1901.
Breach of warranty.....	0	0	0	0	65
Excessive use of liquor.....	2	10	9	10	22
Lapse.....	18	28	35	41	25
Suicide.....	2	7	6	6	20

Amount saved by compromise, 1900-01... \$ 605,496

Estimated saving in liens, 1900-01... 800,000

Total saved by liens and compromises... . . . \$1,405,496

Last examination of compromised claims by the Insurance Department was made in 1898. See testimony Geo. D. Eldridge, No. 4, page 35.

Q. And are the figures correct?—A. They are all correct.

Q. Where is this statement taken from?—A. It is taken from the returns to the Insurance Department of the State of New York and sworn to by the officers of the company.

Q. Take the report of 1901—that is the largest amount of losses, \$960,000, submitted to the Department of Insurance in Canada—and tell the Committee whether there is any schedule of losses compromised, such as appears in the report to the New York Department?—A. The schedule is Schedule No. 11, and it is entirely blank in the reports made to the Insurance Department in Canada.

By the Chairman:

Q. State the nature of the schedule?—A. It is a schedule of claims compromised, scaled down or dropped during the calendar year covered by statement, with reasons for doing so.

Q. What does that schedule contain?—A. That ought to contain a list of all claims compromised.

Q. What does it contain?—A. It is blank.

Q. What does the New York one contain?—A. It contains a complete list.

By the Hon. Mr. Lougheed:

Q. Does the Canadian Act require that schedule to be filled?—A. This is sworn to be an exact copy of the statement to the New York Insurance Department.

Mr. COSTER.—This report of 1901 is sworn to by George D. Eldridge, vice-president, and Charles W. Camp, and it purports to be the annual statement for the year ending December 31, 1901, of the condition and affairs of the Mutual Reserve Fund Life Association, organized under the laws of the State of New York, made to the Superintendent of Insurance of the State of New York, pursuant to the laws thereof.

The CHAIRMAN.—Please have the witness state the difference between the documents?—A. This whole matter has been gone into in these exhibits which are already in, except the schedule 11, part 2 and schedule 12 as it is given here. The first one is death claims reported and unadjusted claims, and the other is claims scaled down. Both of these are blank in the Canadian report.

Q. Is there a letter there attached to the Canadian report?—A. There is a letter from the Mutual Reserve Fund Life Association. It is as follows:—

Owing to the examination of the association by the Insurance Department of New York not being completed at this date, the report of the association has not as

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yet been filed with the New York Insurance Department. The association herewith files its statement as it would be made to-day, but for the incomplete examination, and if the results of such examination should affect this statement it will subsequently file with the Dominion department a duplicate of the statement as it will ultimately be made to the New York Insurance Department. The association trusts that, under these circumstances, the accompanying report will be received by the Dominion department as a full compliance with the requirements of the law. (Signed) Chas. W. Camp, Secretary.' It is dated New York, February 24, 1902.

By the Chairman :

Q. That is asking the Canadian department to accept an incomplete report ?—
A. Yes.

By the Hon. Mr. Lougheed :

Q. Would not the new York report be filed before that ?—A. No.

By the Chairman :

Q. At the time that letter was written was the report of the compromised claims sent to the New York department ?—A. I am unable to answer that question.

Q. Can you tell by the dates of the two documents ?—A. No, but the facts are that these two reports cover the year 1901, both reports for exactly the same time, and both reports were made a month and a half after the year closed; so it is difficult to see how there could be any change in the condition of the report in all its important features by examination. Certainly, I might add, the schedule of compromised and scaled down claims was complete on December 31, and could not be changed by any examination.

Q. Then, according to you, the report sent to New York with that schedule of compromised claims was omitted in the Canadian schedule ?—A. It was.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Calling your attention to the report, in 1897, the total claims paid amounted to \$4,060,479, of which amount only \$230,714 was compromised ?—A. That is right.

Q. And of this amount compromised, the face value of policies, there was paid only \$81,366. Would not that show that there might have been fair grounds for comprising those claims ?—A. I think that is what it shows. There was very good ground for compromising those claims or they could not have paid so small an amount.

Q. Now take 1891; there were \$4,789,293 of claims, being less than \$700,000 more than was paid in 1897, and yet of this amount they compromised \$960,252 of the face value of the policies—is not that right ?—A. That is correct.

Q. Would or would not that, in your opinion, be evidence that something should have been paid in full ?—A. From a very careful examination of the list of compromised claims, there is undoubted evidence in my mind that they should have been paid in full absolutely. I might give an example.

Q. I see there are a few examples which you have noted here. Can you give any ?—A. For example, in the year 1901 the claims resisted on the grounds of suicide are at least three times as great as they were in former years, and in that list there are policies compromised on the grounds of suicide that the insured has paid premiums on the policies more than fifteen years, and they are nearly paid in full. In some cases one hundred dollars is deducted, in some two hundred dollars deducted on a ten thousand dollar policy.

By the Hon. Mr. Lougheed :

Q. Is the company liable in case of suicide ?—A. In the earlier policies they would not be liable, according to the contract.

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Q. In the case of suicide to which you have referred, would they come under the class of policy in which the company was not liable in case of suicide?—A. Yes, these policies I refer to are policies which have no provision that after being in force for a certain number of years they would be incontestable. There was a condition in the warranty that if the man committed suicide the company would not be liable, in the earlier policies, not the later.

Hon. Mr. LOUGHEED.—We should have very conclusive evidence whether the contract covered suicide or not. A general statement of that character does not give us information that we should have.

The CHAIRMAN.—If the witness is allowed to explain what he knows, he may be able to state what the conditions were.

Hon. Mr. LOUGHEED.—If we have the policies we could tell whether the company was liable or not. The counsel should present the circumstances so that we could determine.

WITNESS.—I was connected in the agency department with this association for seven or eight years. I am thoroughly familiar with the conditions of the policies issued at that time and they contained a clause that in the event of the policy-holder committing suicide, the association would be liable only for the return of the premiums that the policy-holder had paid. Now, here is a policy No. 67791; the amount issued is \$5,000; the amount paid is \$3,720. From the number of that policy I know that the policy was issued at least ten years ago, probably twelve years ago, and the policy-holder was paying the premiums all that time.

By the Hon. Mr. Lougheed:

Q. This may be only the returned premium as stipulated in the policy?—A. Possibly.

Q. The inference is irresistible from the first answer you gave, that the company should have paid the whole policy?—A. That is what every company that I know of in any part of the world would do.

Q. I understand you to state that the policy provided that only the premiums should have been returned?—A. The company has the right also under that same policy to pay it in full, and in the examination made by the Insurance Department, attention is called to the fact in the earlier days of the company that they did pay, even in cases of that kind, in full.

By the Hon. Mr. Robertson:

Q. Do I understand that this is one of the suicide cases?—A. It was.

Q. And do you mean to say that he was paying premiums after he committed suicide?—A. I did not intend to say that—I hope I did not.

By the Hon. Mr. Béique:

Q. But I understand you to say that all insurance companies pay the full amount of the policy in case of suicide?—A I have never known of a company—

Q. I do not ask whether you have known of a company; I ask whether you undertake to say, as a matter of fact, that all companies pay the full amount of the claim in case of suicide?—A. I do not.

By the Hon. Mr. McSweeney:

Q Are not policies incontestable after three years now?—A There are life insurance companies that make the policy incontestable from the date of its issue on the ground of suicide.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Can you give me a few samples that you abstracted from the report?—A. Policy No. 335,708, amount ten thousand dollars, paid in compromise on this claim \$9,106.30; why not paid in full? Breach of warranty. Policy No. 111,450, and 345,339, amount paid twelve thousand dollars, face value of policy, amount paid \$10,144.40, why not paid in full? Conditions of reinstatement violated. Policy No. 100,373 and 107,702, ten thousand dollars, amount paid in compromise \$8,868.50. Why not paid in full? Breach of warranty. Policies 313,928 and 186,255, ten thousand dollars face value, amount paid \$8,032.80. Why not paid in full? Misrepresentation. Policy 149,636, face value of policy five thousand dollars, amount paid on compromise \$4,925.23. Why not paid in full? Conditions of reinstatement violated. Policy No. 502,880, \$5,000, amount paid in compromise, \$4,506.60. Why not paid in full? Excessive use of liquor.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What year's report is that?—A. 1901. Policy No. 136,353, \$5,000, amount paid in compromise \$4,449.51. Why not paid in full? Misrepresentation. Policy 219,561, in compromise \$4,449.51. Why not paid in full? Misrepresentation. Policy 219,561, amount of policy \$5,000, amount paid in compromise \$4,811.42. Why not paid in full? False certificate of health. Policy 134,204, \$5,000, amount paid in compromise \$4,130.41. Why not paid in full? Breach of warranty. Policy No. 385,510, amount of policy, \$5,000, amount paid in compromise, \$4,777.60. Why not paid in full? Conditions of reinstatement violated. Policy 133,030, \$5,000. Amount paid in compromise \$4,646.84. Why not paid in full? False certificate of health. Policy 65,274, amount of policy \$10,000, amount paid in compromise, \$9,218.36. Why not paid in full? Excessive use of liquor. This completes the list. I would like to say that this last policy, 65,274, must have been in existence, probably, I should think, for fifteen years.

By the Hon. Mr. Lougheed:

Q. You were not in the employ of the company at that time, in 1901?—A. I was not. I know that from the number of the policy.

Q. Do I understand that you take exception in a general way to the settlement of the policies on that basis without knowing the facts which may have attended the compromise?

The CHAIRMAN.—Would it not be better to let the Counsel finish his examination before members of the Committee ask questions?

WITNESS.—I should like to call the attention of the Committee to one more policy, No. 390,011, one thousand dollars, amount paid in compromise \$90. Why not paid in full? Breach of warranty and excessive use of liquors.

By Mr. Coster, K.C., Counsel for the Committee:

Q. I should like you to explain the object of that schedule which is in evidence now?—A. My object in preparing that schedule was to be able to give testimony or evidence here, which I believe would satisfy the Committee that the Mutual Reserve Fund Life Association have in these recent years compromised a far larger percentage than in years in its previous history, as the fact shows. For example, in the year 1897, there was only 35 per cent paid, of the face value. In 1898, 31 per cent, in 1899, 39 per cent, and in the year 1901, they paid 59:79, or nearly 60 per cent of the face value of the policy, and to the further fact that the figures show that on the smaller policies a much smaller amount is paid in compromise, than on the larger policies. On the smaller policies, there is only 49 per cent. On the thousand-dollar policies the average is \$495, where the average on the \$5,000 policies is \$3,765, and on the \$10,000 policies which are recorded here, it is all the way up to \$9,000 and over. In

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no year except the year 1901, was there any policy resisted on the ground of breach of warranty. I have examined all the statements and policies, and find no case in which breach of warranty was given as the reason for not paying it in full.

By the Chairman:

Q. Up to what year?—A. Up to 1901, and also to show that in the year 1901, with almost the same amount paid, in losses, the compromise was nearly five times as great as it was in 1897. That is the whole thing.

By the Hon. Mr. McSweeney:

Q. What do you mean by breach of warranty?—A. The warranty is what the policy-holder agrees to in his application, signs the warranty, and it is some of these conditions that he has violated, that is called a breach of warranty. Excessive use of liquor would be one.

By the Hon. Mr. Loughheed:

Q. And I suppose there would be a prohibition as to going into certain territory?—A. The policies of the Mutual Reserve, when I was in the company, had no limitation as to territory.

By Mr. Coster, K.C., Counsel for the Committee:

Q. A question was asked as to what claims were compromised—what is the expression used there?—A. 'Scaled down.'

Q. Can you find any such schedule as that in the reports of any other company?—A. No such schedule that I have seen.

Q. Have you looked?—A. I have examined official reports of other companies—not a very large number of them, a dozen or so, I should suppose.

Q. And you can find no such statement in any other company?—A. No.

Q. Why was it that the Mutual Reserve is the only company that is compelled to put it in, do you know that?—A. The Mutual Reserve is not the only company that is compelled to put it in. It applies to all companies doing business on the same plan.

Q. But you could not find it in the statements of other companies?—A. Not any that I have examined. I am not aware that I have examined the annual sworn statements like this for assessment companies. I have seen and examined several of the sworn statements of other companies, and I never saw it in.

Q. You cannot find it there?—A. No.

By the Hon. Mr. McMullen:

Q. Do you know if it is in the Bankers' Mutual of Des Moines? Did you examine it?—A. I have not examined it, but I have never heard of any claim of that kind.

By the Hon. Mr. Loughheed:

Q. Is it required under the laws of the State of New York?—A. Certainly.

Q. It is required by the law?—A. Yes, they would have to comply with it.

Q. And if any other companies compromise or scale down, they have to present it in the schedule?—A. No, with a regular life insurance company, in the blank, there is nothing to show that any claims have been scaled down or compromised. That schedule, as I remember it, is not there at all, I assume, for the reason that there are so few of them.

By the Hon. Mr. Sullivan:

Q. You assert that there is no other company of any standing doing business in the State of New York, known to you, that has any such column as that, scaled down?—A. I could not swear to such a broad principle as that.

Hon. Mr. LOUGHEED.—I move now a reconsideration of the decision last night in reference to the proceedings between this witness and the company, that Exhibit 36 be withdrawn, and that we resolve not to make any investigation of those charges.

Hon. Mr. LANDRY.—I move, in amendment, that Document No. 36, accepted yesterday, as a proof of the consideration for which a sum of \$5,000 has been paid by the company to one Patterson, be considered as such, and not as a proof of the truth of the charges which such document contained.

Hon. Mr. BÉIQUE.—I submit the amendment is not in order.

The CHAIRMAN.—If the amendment was a flat contradiction of the main motion, it would not be in order, but as it is not a flat contradiction, and is merely qualifying the motion, I consider that it is in order.

Hon. Mr. BÉIQUE.—I wish it noted that I appeal from the decision of the chairman.

The amendment was carried on division.

The CHAIRMAN.—Then the main motion as amended is carried.

By Mr. Coster, K.C., Counsel for the Committee:

Q. With reference to deferred premiums—what are deferred premiums?—A. Deferred premiums are the portions of the annual premiums not paid; that is, when the premium is payable semi-annually, or quarterly—if it is semi-annually, the whole of the half-year's premium, if quarterly it might be three-quarters of the year's premium or one-quarter. All the regular life insurance policies assume the premium is payable annually, but for the convenience of the insured, it may be paid quarterly, or semi-annually, and it is the unpaid portion or the deferred premium.

Q. So that in this company, where it was paid as a rule, every two months, there might be ten months of deferred premiums?—A. In a very large part of the business, it would be.

Q. Look at that statement marked exhibit 46, marked 'Deferred premiums.' Where did you get that information?—A. I compiled that information from the official reports published by the Insurance Department for the State of New York, for the year ending December 31, 1903.

Q. And the statements therein contained are correct, are they?—A. They are.

Q. This statement exhibit 46 reads as follows:—

EXHIBIT No. 46.

DEFERRED PREMIUMS.

Mutual Reserve Fund Life, 1903.

Total premium income..	\$4,293,790 33
Net deferred premiums and net premiums in transit	1,133,934 33
Per cent of deferred premiums to total premiums paid..	24'41

Ætna Life, 1903.

Total premium income..	\$8,896,452 00
Net deferred premiums..	636,280 38
Per centage of deferred premiums to total premiums paid..	7'15

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Equitable Life Assurance Society, 1903.

Total premium income	\$58,637,889 63
Net deferred premiums	7,662,637 00
Percentage of deferred premiums to total premiums paid	13'06

New York Life, 1903.

Total premium income	\$73,382,174 10
Net deferred premiums	6,167,726 98
Percentage of deferred premiums to total premiums paid	8'40

Mutual Life Insurance Co., 1903.

Total premium income	\$60,151,019 66
Net deferred premiums	5,032,889 14
Percentage of deferred premiums to total premiums paid	8'36

North-Western Mutual Life Insurance Co., 1903.

Total premium income	\$26,155,649 60
Net deferred premiums	2,252,755 52
Percentage of deferred premiums to total premiums paid	8'61

Q. With \$4,293,790.33 total premium income of the Mutual Reserve in 1903, they had net deferred premiums, and net premiums in transit, of \$1,133,934.33. That is right, is it?—A. Right.

Q. In other words, the percentage of deferred premiums to total premiums paid was 26'41?—A. Yes.

Q. What was the percentage of the Aetna Life Insurance Company in the same year?—A. 7'15.

Q. What was the percentage of the Equitable Life Assurance Society?—A. 3'06.

Q. What was the percentage of the New York Life in 1903?—A. 8'40.

Q. What was the percentage of the Mutual Insurance Company of New York?—A. 8'36.

Q. What was the percentage of the North-western Mutual Life Insurance Company in that year?—A. 8'61.

Q. Can you explain why the deferred premiums in the Mutual Reserve are about three times as much as the other companies in proportion?—A. Only on the ground which has already been referred to, that a large proportion of the business of the Mutual Reserve Fund Life Association is still on the old assessment plan on the same policy; that is, where the premium was payable every sixty days, and all the premium, in fact on all that business, when the statement was made up, would be considered deferred premium, except one mortuary call, perhaps, sixty days: therefore it will be ten months of deferred premiums on that business, and all the rest on the regular line would be the same as any other company. A quarter or three-quarters would be deferred premiums.

Q. And the whole of that \$1,133,000 is treated by the company as an asset?—A. It is entered as an asset.

Q. It is an asset in your opinion for the full amount?—A. I should not think so for the full amount.

Q. Why not?—A. Because of the large amount of business that has been passing off the books of the company, all that money certainly will not be paid.

By the Hon. Mr. Loughheed:

Q. It is not an asset to the extent you represented, you mean to say?—A. Yes, that is what I mean to say.

Q. It would be an asset, nevertheless. That is, an asset allowed by the Insurance Department of the State of New York in all companies?—A. The only difference, as I have already explained, the condition of this company warrants the conclusion that a very small percentage, probably not 25 per cent of that, will ever be paid in cash.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Would you have any way of showing what amount of deferred premiums of the previous year had been paid in cash afterwards?—A. I have no way of showing, unless it would be by the amount of insurance that had passed off the books by lapse and otherwise the previous year.

Q. Do you think then that the percentage of deferred premiums to total premiums paid is large in the case of the Mutual Reserve. Is it larger in your opinion than it should be?—A. If you mean by that, does that make the impression on me that it is not an honest statement, I would say no, that it does not make that impression, and I cannot say that it is larger or smaller than it should be. Owing to the peculiar contract of the Mutual Reserve Fund Life Association it would naturally be larger in proportion, but not to be a more valuable asset for that reason.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Did you say it was not an honest statement?—A. I did not say that.

By Mr. Coster, K.C., Counsel for the Committee:

Q. What have you to say about those comparisons? What did you make them for? What was the object?—A. The object in making the comparisons was to show in part the items of which the assets of the Mutual Reserve Fund Life Association are made up, and that large item, \$1,133,000, is in my opinion based upon the history of the company for the last three or four years, almost a worthless asset. That is the principal object I had in preparing that statement.

Q. What other assets have the company got that you know of? Could you state shortly as to what they are, as shown by the report?—A. There is an asset of some \$480,000, called 'real estate,' which is a leasehold on a building at the corner of Broadway and Duane streets, New York city, which is in my opinion not an available asset for any sum.

Q. What else is there?—A. There are also, in the assets of the Mutual Reserve Fund Life Association some \$2,000,000 of liens, that have already been explained, that I do not consider as an asset at all, in the real sense of an asset.

Q. They could not realize on them?—A. They could not realize a single dollar on the two million.

Q. What else have they in the way of assets?—A. They have some available assets in bonds and mortgages on real estate, cash in banks.

Q. What is the amount of that, roughly speaking? You have not got a statement of that?—A. I have not. It is in the official report.

Q. Perhaps you could put that in afterwards. You could prepare it?—A. Yes.

Q. I should like you to explain on the question of putting liens on policies. Questions were asked you as to whether the company had a right to place these liens on the policies without the consent of the policy-holders. What have you to say about that? Have you looked into the constitution and the contract? Can you refer to it?—A. I have made a careful study of the constitution and by-laws as they exist at present, and the charter provides that the constitution and by-laws form part of the contract, and by that constitution and by-laws the board of directors have the right under

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certain conditions to put a lien on any policies, or all policies, of whatever kind, and deduct it from the policy, when it becomes a claim.

The CHAIRMAN.—Can these liens be placed on the policies without the consent of the policy-holders ?

Hon. Mr. BÉRIQUE.—That has been explained and we have the by-law and the minutes.

By the Hon. Mr. Landry :

Q. I want to know, was the thing done without the consent ?—A. I do not know.

By Mr. Coster, K.C., Counsel for the Committee :

Q. My question was, as to whether you could refer to the section of the by-law ?—A. I can.

Q. Read the section of the by-law which refers to that. The by-laws are not copied in full on the minutes, and were only put in for identification. I want that section which authorizes putting on the liens without the consent ?—A. This is article VII., section 2, of the constitution and by-laws of the Mutual Reserve Life Insurance Company, which reads as follows:—

‘Section 2. If the net value of the funds which any class, existing at the date of reincorporation of the company under section 52 of the insurance law, shall have accumulated, in excess of its equitable share of the outstanding claims and other accrued liabilities of the company, shall be determined by the actuary of the company to be less in amount at any time than the reserve required by these capital by-laws, and the policy contracts of said class, of which the same form a part, or by-law, each certificate or policy of said class shall be charged with an amount limited to its equitable share of such deficiency, to be determined by the actuary of the company, which amount may stand as an interest-bearing loan upon the security of such reserve, as provided in section 5 of this article, constituting a lien against the insurance under each such certificate or policy, and any dividends or surplus accruing thereon, which lien may, however, at the election of the member or policy-holder, be paid in cash and cancelled.’

‘Section 3. Each policy or certificate holder or class of policy or certificate holders shall share equitably, and in accordance with mutual principles, in the administration and payment of the cost of insurance granted, and in the establishment and maintenance of the reserve now or hereafter to be provided for the protection of their insurance, or which may be required by the nature of each contract or by-law. Whenever the actuary of the company shall determine that the net contributions to the death fund of the company for the purpose of paying death claims (being the payment made, less that portion thereof provided or used for expenses) of any class of certificates or policies under which the cost of insurance is to, or may, be provided for, in whole or in part, by assessment, have been less than the tabular mortality by the actuary’s table of mortality, or any greater rate of mortality actually experienced by the company, in said class, the certificates or policies in said class shall be hereafter required to maintain a reserve terminable under the standard applicable, as provided in section 1 of this article, in accordance with the requirements of whole life continuous premium policies, as of age and rate for the date of original entry. Such reserve, so far as it remains unprovided in cash, may stand as an interest-bearing loan against the insurance under any certificate of policy, on and against any dividends or surplus accruing thereon, as provided in section 5 of this article, which loan may, however, at the election of any member or policy-holder, be paid in cash, and cancelled. Any certificate or policy hereby affected shall, in consideration of the maintenance of such reserve, be entitled to the regular surrender value, as computed by said company, applicable to a whole life continuous premium policy, of the age and date of original entry, upon the reserve standard above named, subject to the deduction of any lien or charge against the same, and payable only in

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event of written demand prior to lapse, and each certificate or policy shall, in lieu of any or every method, or participation in surplus now therein provided, be credited with its equitable proportion of the surplus of the company, apportioned by the board of directors to the payment of dividends, to be determined by the actuary of the company, annually, the same to be applied to the reduction of any lien charge against the certificate or policy, or otherwise, as the board of directors may determine. Any such certificate or policy upon which the full reserve hereby required has been paid or accumulated in cash, shall thereafter be subject only to premium payments in accordance with the table of rates for whole life continuous premium policies, as of age and rate for the date of original entry. In the case of all certificates, or policies under which the reserve is permitted to stand as an interest-bearing loan, there shall be added to the said loan annually interest at the rate of five per cent per annum, and the whole life, continuous premium as of age and rate, for date of original entry, and there shall be deducted therefrom annually the cash payments actually made by the policy-holder during such year upon said certificate of policy, and the balance, if any, shall constitute the principal of the loan for the next succeeding year.'

The Committee adjourned until 10 a.m. to-morrow.

THURSDAY, July 14, 1904.

The Committee met at 10 a.m.

J. T. PATTERSON, cross-examined.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company :

Q. In 1887 and 1888 you were with the association ?—A. I was.

Q. What were your duties ?—A. I was manager for the province of Quebec and local treasurer or collector in Montreal.

Q. Was that the first position given you in the association ?—A. I was first a local agent for the association.

Q. Between what dates ?—A. 1886 and part of 1887.

Q. You entered in 1886 ?—A. Yes.

Q. And in the latter part of 1887, you were appointed manager for the province of Quebec ?—A. The latter part of 1887 or 1888.

Q. And you held that position until when ?—A. Some time in 1889.

Q. It was in 1889 that you removed to the head office ?—A. It was.

Q. What were your duties at the head office ?—A. I remained there for a month, and then went over to the old country.

Q. As local manager over there ?—A. As manager for Ireland.

Q. When did you change that position ?—A. In 1891.

Q. You returned to America ?—A. Yes.

Q. To the head office ?—A. Yes.

Q. What were your duties there ?—A. I went out and solicited business for a time, and later on, in 1891, was appointed corresponding secretary.

Q. You held that position till when ?—A. Until 1896, with an interval of a few months, when I was out of the employ of the company.

Q. When you left the employ of the company, were you still corresponding secretary ?—A. I did not so understand it.

Q. I understood from your examination-in-chief, that in 1895, shortly after that incident between President Burnham and you, you practically left the position of corresponding secretary, and went on the road to solicit business for some time ?—A. For a month—that was the action of the executive committee.

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Q. I want to have the dates. It was after having left your position as corresponding secretary, and having been on the road as soliciting agent for about a month, that you finally severed your connection with the association?—A. It was.

Q. It would be in 1896 that you left the association?—A. Some time in May or June, 1896.

Q. You left the association finally?—A. Yes.

Q. How long would you have been on the road as a soliciting agent?—A. Oh, something over a month.

Q. Before that?—A. Yes.

Q. So it was in the spring of 1896 that you ceased to act as corresponding secretary?—A. That is my recollection.

Q. In the earlier years of the association you were familiar with the rates charged by the association?—A. I was.

Q. And I understood you to swear in your examination-in-chief that you considered, and you still consider, that those rates were sufficiently high?—A. With a careful selection of risks and economical management, I did consider them so, and consider them so still.

Q. I am speaking of the original rates—I mean the rates charged in 1887 and 1888?—A. And 1889; I specially cited 1889.

Q. The rates of 1888 were the same?—A. What I mean by rates is the amount collected per thousand at the various ages, and adopted under the Shields resolution in 1898.

Q. Have you a table of those rates?—A. I have a table of them, which I now produce.

Q. You state that the paper you have handed me contains the table of rates in force in 1889?—A. Adopted in 1889, under the Shields resolution.

Q. Will you please file this table of rates with the Committee for identification?—A. Yes.

Q. While in the employ of the company, previous to the first increase, you prepared advertisement circulars for the association, did you not?—A. Yes.

Q. That was part of your duty?—A. It was.

Q. Naturally, in those circulars you praised the system and stated your opinion, which is still your opinion also, that the rates were sufficient?—A. I do not know that I ever prepared any statement of that kind as an advertisement.

Q. Whether as an advertisement or otherwise?—A. I never prepared any circular or any other document that was published that was not first passed on by Mr. Eldridge.

Q. That is not what I am asking you. By Mr. Eldridge?—A. By Mr. Eldridge or some other officer of the company. I had not authority to publish a circular or make any other statement.

Q. When was Mr. Eldridge in the association?—A. In 1894, I think.

Q. Previous to that, you did not submit them to him?—A. I said, to some one in authority, not having any authority to make statements as to the rates or standing of the company in any way, without it first having been approved by the president, or some one authorized by him.

Q. You prepared those statements, you say?—A. I did.

Q. In those statements did you not claim, as you still claim, from what I understand, that those rates were sufficient, and there would be no increase?—A. There was no necessity for an increase.

Q. You made that statement?—A. I say so still—

Q. I am not asking you whether you say so still; I am asking you whether you made such statements or not?—A. It is my recollection I did.

Q. You also published certain books, while in the employ of the association, books which purported to be books of yours as an author, and not advertisements of the association, did you not?—A. I did publish books, certainly.

Q. Among those books there was *The Natural Premium Life Underwriter's Pocket Manual*?—A. Yes.

Q. That was not issued as a publication of the Mutual Reserve Fund Life Association, was it? It was issued as a publication of yours?—A. All I know about it is the Mutual Reserve Fund Life Association paid all the expenses, paid the printer, and they are the ones that used it.

Q. Will you please answer my questions? For the moment I am simply asking how it was issued?—A. It was issued under my name, copyrighted by me, and published by the Mutual Reserve Fund Life Association, as I understand it.

Q. There was nothing on the book to show that it was published by the Mutual Reserve Fund Life Association?—A. The whole book itself showed that, and it was prepared for that purpose, and prepared for the Mutual Reserve Fund Life Association.

Q. Do you mean to swear that this book, on its face, appeared to be a publication of the Mutual Reserve Fund Life Association, or a publication of yours as an author?—A. It is my impression that it would show on its face that it was prepared for the Mutual Reserve Fund Life Association.

Q. I am not asking you whether it would show on its face that it was a book favourable to the Mutual Reserve, or defending the Mutual Reserve. I am asking whether it was a book which purported to be your publication, or like the advertisement and circulars of the Mutual Reserve Fund Life Association?—A. I think, looking at the title of the book—

By the Hon. Mr. Robertson:

Q. Were you an employee of the association at the time?—A. I was.

Q. Therefore it was the company's book?—A. Yes. I have no objection to stating that, looking at the title of the book, the impression would be that I was the author, and it was my book, and I am not the slightest ashamed of it.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. There are a couple of other books to which the same answer applies: 'Which system of life insurance should I select?'—A. No, not exactly the same answer would apply to that one. That was rather more of a general character than the *Underwriters' Manual*.

Q. It would be therefore more a book of your own?—A. It would, and was.

Q. Now, 'The Survival of the Fittest,'—the same answer applies as to the others?—A. The *Manual*.

Q. Or 'Which System'?—A. No, it does not apply to 'Which System.'

Q. 'The Mystery Unveiled'?—A. No, it does not apply to that.

Q. What explanation do you give of 'The Mystery Unveiled'?—A. The mystery-unveiled.

Q. Is it a book which you classify under the same head as 'Survival of the Fittest' and 'Underwriters' Manual,' or in the same category as 'Which System'?—A. The same category as 'Which System of Life Insurance Should I Select.'

Q. For all those books you were paid, apart from your salary or commission, as an employee of the association?—A. In the first place, I prepared 'Which System of Life Insurance,' if I recollect rightly, when I was not in the employ of the Mutual Reserve Fund Life Association, and when I prepared 'The Mystery Unveiled' I was an agent of the Mutual Reserve Fund Life Association, earning my income by commission, and under no salary.

Q. I put it, 'salary or commission.' My question was—for all those books you were paid apart from your salary or commission as an employee of the association?—A. Paid as they bought them. In the case of 'Which System of Life Insurance' and for 'The Mystery Unveiled' they paid me \$500 for the privilege of using that book and publishing it themselves.

Q. I see in a letter of yours of the 25th November, 1893, addressed to Mr. Harper, this statement:—

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'You paid me \$500 for 'The Survival of the Fittest,' and the same amount for 'The Mystery Unveiled,' and I never dreamed you would think of paying me less than that for the Manual' ?—A. Yes, I understand the letter thoroughly.

Q. That is correct?—A. My recollection is that is correct.

Q. Then does not the same remark apply to 'Which System of Life Insurance Should I Select'? You were paid by the association for that also?—A. I was not in the same way. They bought copies of it only.

Q. It was published while you were in the employ of the association ?—A. It was published when I was not in the employ of the association.

Q. I see in a letter dated July 6, 1894, you send 5,000 copies of 'Which System of Life Insurance Should I Select,' charged \$150?—A. Likely that is correct.

Q. I have shown you the letter, and that is what the letter says?—A. Yes.

Q. And it is your letter?—A. Yes, it bears out what I stated, that they bought these books from me, and paid for them as they were delivered.

Q. In all those books, as in the advertisements, you naturally claimed that the original table of rates filed here for identification was sufficient?—A. The table of rates adopted in 1889 was sufficient with proper selection of risks and economical management.

Q. You mean without increase?—A. I do.

Q. As a level premium?—A. Yes.

Q. Will you please look at this letter of yours addressed to Mr. Harper, dated the 5th March, 1894, and tell us whether it is a letter signed by you, and sent by you to Mr. Harper at the date it bears, and if so, filed for identification?—A. It is correct.

Q. In 1895 an increase was decided upon?—A. It was.

Q. A large increase?—A. Some ages, quite a large increase.

Q. You stated that it varied from fifty to one hundred per cent, I believe?—A. That is my recollection, from twenty-five to fifty, and one hundred—nearly one hundred per cent on some ages.

Q. Please look at this little pamphlet, and tell us whether it is an address that you delivered at St. Louis, on behalf of the association, shortly after the increase ?—A. That is a copy of the address, as near as I can see.

Q. You recognize the pamphlet ?—A. It was published in pamphlet form and circulated.

Q. And you have no doubt this is the pamphlet ?—A. I have no doubt, whatever. (Filed for identification).

Q. You were in favour of that increase ?—A. I believe it was absolutely necessary at that time.

Q. Why had it become necessary ?—A. Because there was evidence to show that while there was sufficient funds on hand to pay all death losses at that time, the time would undoubtedly come when there would not be a sufficient amount to pay the death losses.

Q. The increase was practically ordered by the Superintendent of Insurance, I understand ?—A. No, I did not understand that.

Q. You saw the report of the superintendent ?—A. I saw that he recommended it, but I never saw that he ordered it.

Q. Recommended it ?—A. Yes.

Q. Did he not say the right to advance the rates to the present age exists under the association's by-laws, and some such action should, at the earliest opportunity, be taken—are not those the words ?—A. I think that is the substance of what he said.

Q. At that moment the rates were at the age of entry ?—A. They were.

Q. In other words, a man was assessed on the basis of the age he had when he insured ?—A. Yes.

Q. And what the superintendent meant by 'attained age' was the age at the moment the assessment was made ?—A. I do not know that he said the rates should be advanced to attained age.

Q. The present age?—A. I do not like to testify that the Superintendent of Insurance said that they should be increased to attained age.

Q. He said the right exists to increase. I want to have the meaning of the expression 'present age' or 'attained age'? It is the age at the moment the assessment is made?—A. Yes.

Q. The increase was made to half between the age of entry and the attained age?—A. It was.

Q. There were hopes that that would be sufficient?—A. I presume so, from the literature of the company issued at that time.

Q. How can you explain that such a large increase as you mention had become necessary as you admitted, and as the superintendent stated it, if the original rates were sufficient?—A. Because the company had not been properly managed from the beginning.

Q. There had been improper management from the beginning?—A. Exactly.

Q. Therefore, in 1895 you charged that the first increase became necessary, on account of previous extravagance or dishonesty, or both?—A. There is no doubt that is the fact—I do not wish to put my answer exactly in those words; I prefer to have my answer that the increase no doubt became necessary on account of the mistakes, and also the extravagance, of the management.

By the Hon. Mr. Robertson :

Q. You mean bad management?—A. Not exercising sufficient care in the selection of risks, and in expending too lavishly for expenses, the moneys of the company, or the policy-holders.

Q. When did you convince yourself of that fact?—A. Sometime in 1895.

Q. When the increase became necessary?—A. Prior to the increase.

Q. The increase took place, when—in 1895?—A. I think the call was sent out in August, 1895—call 81, if I recollect.

Q. This increase caused considerable dissatisfaction among the policy-holders, I presume?—A. It did, for a time.

Q. And you, as corresponding secretary, were charged to try and satisfy them?—A. I was.

Q. Either by answering their letters or by going and making speeches such as the one I have just filed for identification?—A. Yes.

Q. Did your speech at St. Louis, which has been filed for identification, contain this passage:—

'As it has been publicly stated in the daily papers that the expenses of management of the Mutual Reserve are enormous, it becomes my duty to place a few facts before you. I know of no better way of determining as to whether or not the statement is true than by comparing the Mutual Reserve expenses with other well known companies. The expenses of management are made up of two items, cost of new business and expense of taking care of old business. First, the cost of new business. In the year 1894 the total amount expended in new business by the Mutual Reserve Fund Life Association was \$14.43 per \$1,000, compared with an average of \$20.64 expended by Fidelity Mutual, Hartford Life Annuity and Massachusetts Benefit. These three companies combined show that the new business accepted and paid for amounted to a little over \$47,000,000, whereas the new business accepted and paid for of this association alone amounted to over \$53,000,000. The increase in the amount of insurance in force by the other three companies was less than \$3,000,000, whereas the increase in the Mutual Reserve exceeded \$30,000,000. The cost of new business in twenty-eight of the best old system life insurance companies doing business in the State of New York averaged over \$48 to each \$1,000 of business accepted and paid for. The twenty-eight old system companies received in new premiums \$22,747,685, and expended \$28,557,741 in agents' commissions, salaries and travelling expenses of agents, medical examiners' fees, and in printing and advertising. These

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items are included as cost of new business in the figures given for natural premium companies.

Cost of taking care of old business, or the total expense to each \$1,000 of insurance in force in three natural premium or assessment companies already referred to, was \$5.61, compared with \$5.60 in the Mutual Reserve. The average expenses to each \$1,000 of insurance in force of all the old system companies doing business in the State of New York in 1894 was \$13.11, and several of them expended over \$14 to each \$1,000 in force.

Was that contained in your speech?—A. It was.

Q. Did you not then, according to that speech, consider that there had been no extravagance in the management?—A. I did not—do you understand my answer.

Q. I understand that?—A. I mean, it does not necessarily follow that I meant that the business had been managed as economically as it could have been.

Q. But I understand you to state, from that extract from your speech, that it had been managed more practically than all the other companies you mention there?—A. No, not than all other companies.

Q. The companies you mention there?—A. Exactly.

Q. And you still persist in saying that you had in your mind, and knew then, that there had been extravagance in the expenses of management?—A. I knew then, and still believe, that the business could have been managed much more economically than it was managed.

By the Hon. Mr. McMullen :

Q. Were you the hired servant of the company at that time?—A. I was; I was under salary.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company :

Q. Shortly after that speech you had a difficulty with Mr. Burnham, the president?—A. Yes.

Q. Can you tell us when you had that difficulty, when he asked you to go to a meeting of dissatisfied policy-holders?—A. Some time in the latter part of 1895. It is my recollection it was some time in the latter part of 1895, but I cannot locate the exact time.

Q. Would it be in September?—A. Probably it would be some time in September or October.

Q. It was almost immediately after your return from St. Louis?—A. The meeting of dissatisfied policy-holders was held in August.

Q. If it was held in August, that interview must have been before the meeting?—A. It was not before the meeting.

Q. Was not this interview almost immediately after your return from the St. Louis meeting?—A. No, it is my recollection it was a considerable time after.

Q. What do you mean by a considerable time?—A. It might be a month or two months.

Q. It would be in September or October, according to your recollection?—A. I think so.

Q. From that moment you lost confidence in Mr. Burnham?—A. It shook my confidence very much, I must confess.

Q. Did anything else occur between that date and the time you left, to shake it more, or was that the determining cause?—A. That was largely the determining cause. I could not say that nothing else happened.

Q. When you left had you any other grievances or charges against the association, or reasons to leave?—A. No, not that I recollect, but I should like to make my answer more fully to the question previous to this one. My confidence was still further shaken when I saw a published circular purporting to be a report of a committee of dissatisfied policy-holders, recommending the management of the Mutual

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Reserve and endorsing its action in the increase of rates, and so on, and knew that that report was made by agents of the Mutual Reserve Fund Life Association—two of them, at least, two out of the three.

Q. Who were they?—A. One was E. Randolph Taylor; I do not recollect the other.

Q. Therefore, those are the two facts that made you lose confidence in the honesty of the administration of the Mutual Reserve?—A. These are the two principal facts. There may have been others that I have forgotten; no doubt there were.

Q. That report of the dissatisfied policy-holders, you saw shortly after the interview with Mr. Burnham?—A. I could not say how long after.

Q. In 1895?—A. In 1895 or 1896, I do not know which.

Q. Did that committee sit very long?—A. They had several meetings, I understand.

Q. You cannot say when you saw it?—A. No, I could not swear to when I saw it.

Q. You were still in the employ of the company then?—A. I was.

Q. As corresponding secretary?—A. I was.

Q. And these are the two facts that really determined you to leave?—A. They were the main facts, no doubt.

Q. Can you mention other facts?—A. Not at the present. No, I cannot recollect anything else of any consequence.

Q. And after you had left you have no personal knowledge whatever of the administration of the association?—A. No, I suppose I have not any real personal knowledge of it. I still tried to keep myself versed in regard to the management and the condition of the association.

Q. But all your evidence as to what happened subsequently, apart from the settlement of the lawsuit and the \$5,000 payment, is expert evidence merely based on the reports to the government and the circulars of the association?—A. Yes.

Q. Then from the end of 1895, you state that you lost all confidence in the honesty of Mr. Burnham?—A. Practically that is so.

Q. And in the honesty of the administration of the association generally?—A. I think that is also so.

Q. Will you please look at this letter of May 6, 1896, and tell us whether it is a letter signed by you, and sent to Mr. Wells?—A. That is my signature.

NORTH ADAMS, MASS., May 6, 1896.

J. D. WELLS, 2nd V.P.

DEAR SIR,—I am sorry to have to tell you that I see little prospect of writing business here. I have called on about fifty of the best business men in North Adams and vicinity, and cannot say that I am likely to write any of them. There are three or four, however, who have made appointments with me, and I shall then do my best, and in the meantime hunt up others. In this place, as I have no doubt it is in many others, our old policy-holders do not help us much. They pay their premiums but when they are consulted by an intended insurer they do not recommend the company. I have made it my business to see as many of our policy-holders as possible, and have given them information which has changed their views, and made friends of them. In this way I feel I am doing as much good and probably more than I can do in any other way.

Our agent here, Mr. Tower, is a good man, and is very highly respected. I have had him with me nearly every day since I came here, and have inspired him with new life. He had lost all heart, and has practically done nothing since the reapportionment of rates. I have learned from our collector here that he has only one on his list of over 100 who has not paid the last mortuary call.

It gives me pleasure to state that our policy-holders generally seem to feel that their interests are safe in the hands of President Burnham. In my interviews with intelligent and influential policy-holders I always explain the difficulties with which he had to contend when he became president, and the business-like way in which he

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overcame them, and in nine cases out of ten the reply is 'he is the right man in the right place.' Others say, 'the association is fortunate in having a man of President Burnham's ability and courage to take Mr. Harper's place.' I do not think I should remain here longer than Tuesday or Wednesday of next week, as I can close all likely subjects by that time. Map out work for me in some other field, as I am anxious to spend my time as profitably as I know how. I am convinced that we should give considerable attention to our policy-holders, and have some one from the home office visit as many of them as possible. It helps the agent more than you have any idea of.

J. T. PATERSON.

Q. This is a letter of yours, written in May, 1896, to Mr. Wells, the vice-president?
—A. It is.

Q. How can you reconcile that letter with your statement that you had then lost complete confidence in Mr. Burnham?—A. I was an employee of the Mutual Reserve Fund Life Association at that time, sent out to do my best to reconcile the policy-holders to the increase in rates, and while I had not the supreme confidence in Mr. Burnham, in the action which he took in regard to myself, yet I considered it my duty, in the interest of the association, as far as I conscientiously could, to place the matter before the policy-holders in the best light that I could.

Q. You considered it your duty towards the association to try and convince the policy-holders that Mr. Burnham was a competent and honest man for that position?
—A. I am not aware that I said anything about his honesty, but about his ability and efficiency, and I have not any hesitation in saying that I consider Mr. Burnham in many respects a very able man still.

Q. Then the distinction you are making was, that you were representing to the policy-holders, merely, that he was an able man, and while believing that he was an able man, believing that he was an honest man. You said he was an able man and the right man in the right place, although you did not believe he was an honest man?
—A. I am not aware that I testified at that time, or shortly after that time, that I stated or believe Mr. Burnham to be a dishonest man.

Q. So you claim that is not the effect of your evidence?—A. That is my opinion.

Q. You still believe him to be an honest man?—A. I had no evidence to the contrary other than that he asked me to make a false statement in order to get me into a meeting of dissatisfied policy-holders, which made the impression on me that he was not probably a truthful man under all circumstances, but would not perhaps steal.

Q. You refused at his request to go to a meeting of dissatisfied policy-holders, because that meant that you should try and make yourself fast with the dissatisfied policy-holders. You thought that dishonest?—A. It meant that I should make a positively false statement.

Q. But on the other hand you considered yourself justified in going round to the policy-holders and making efforts to create in their minds the impression that Mr. Burnham was a reliable man; where is the distinction?—A. The distinction is that the Mutual Reserve at that time was managed not by Mr. Burnham alone, but by the directors and the executive committee, which should be able to supervise and control Mr. Burnham.

Q. Do you remember stating before I brought out this letter, that you had no confidence in Mr. Burnham and in the management?—A. I do not remember that.

Q. It is in the evidence?—A. There is no harm if it is.

Q. Will you please look at this letter of April 11, 1896, addressed to Mr. Wells, and tell us whether it bears your signature:—

LOWELL, MASS., April 11, 1896.

DEAR MR. WELLS,—Please send the names and addresses of five or ten of our best policy-holders in Lowell. As these names are wanted by two men who have applied for insurance with us, but owing to statements made by our rivals now refuse to take

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their policies, it is important that care should be taken to select those who are likely to speak well of us. Give us a few who have been reapportioned, but select those who have not been increased to any extent. In other words, give the names of old men. Please attend to this at once, and a large amount of business can be written here almost immediately if the two gentlemen I refer to can be satisfied. I return to Boston this p.m., and hope to let you hear from me with applications in the near future.

Yours truly,

J. T. PATERSON.

A. That is my signature.

Q. This letter was written by you also?—A. Yes.

By the Hon. Mr. Robertson:

Q. You were still an officer of the company?—A. I was being paid by the company, and sent out for that purpose.

Q. You never gave expression publicly to the fact that you had no confidence in Mr. Burnham?—A. I never did.

Q. You never considered that it was your duty as an employee of the company to state such a thing publicly?—A. I did not.

Q. Although you had impressions in your mind that things were not right at headquarters, you were acting as a servant of the company?—A. Yes, and doing so under the impression that the affairs of the company were managed under a board of directors duly elected by the members, and not by one man, Mr. Burnham.

Q. You would not think it would be your place as a servant of the company to go about the country and denounce the management?—A. No.

By the Hon. Mr. Béique:

Q. At that time you thought the company was well managed?—A. I thought at the time, notwithstanding what Mr. Burnham had done and the impression made by what he requested me to do, that he was an able man, and the company might possibly succeed.

Q. When you say, notwithstanding what Mr. Burnham had done, what do you refer to?—A. I refer to his action in asking me to make a positively false statement, and get admitted to a meeting of policy-holders.

Q. So far as the management of the company was concerned, you were of the opinion at that time that the company had been well managed?—A. Yes, I was.

By the Chairman:

Q. I conceive from your evidence, that your confidence began to slack in Mr. Burnham as president of the company, at a certain date?—A. Yes.

Q. Did your confidence still continue in many, or the majority of the directors of that company?—A. Certainly; I had absolute confidence in all the other directors and officers of the company.

By the Hon. Mr. McSweeney:

Q. I presume you still think Mr. Burnham an able man?—A. I still think that no other man of my acquaintance could have gone through what he has and be where he is to-day.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. Then you claim that you still had confidence in the management of the association?—A. I still, at that time, had confidence in it.

Q. And you deny having previously said in your evidence this morning something to the contrary effect?—A. It is not to my recollection that I have made a contrary statement. If I have made a contrary statement, I do not for a moment recollect it, and I shall be glad to have my attention called to it.

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Q. Did you not also state this morning that before the increase of 1895 became necessary you considered there had been bad management of the association?—A. I considered that there had not been as economical management as there should have been, and there had not been the care in the examination of the risks that there should have been.

Q. And now you have no longer any confidence in the association at all?—A. I have every confidence in the system on which the association was doing business, but no confidence absolutely in the present management.

Q. I asked you persistently to tell me the only facts, or the main facts, that made you lose confidence in Mr. Burnham and the management, and you mentioned two which had all happened previous to this letter of 1896?—A. I understood your question to mean if I had confidence in the management of the Mutual Reserve Fund Life Association at the present time, and not in 1896, to which I have been testifying.

Q. The only facts that induced you to lose confidence are the two mentioned when I asked you?—A. To lose confidence up to the present time, do you mean?

By the Hon. Mr. Béique :

Q. When did you become aware that the company was accepting a bad class of risks?—A. I became aware of that fact on reading the report of the Superintendent of Insurance, made in 1885 or published in 1885.

Q. I asked when did you become aware that the company was accepting a bad class of risks?—A. I should think away back in 1890, or even more recently than that.

Q. But you were not in the company's employ then?—A. Yes.

Q. Then as far back as 1890 you were of the opinion that they were not doing a sound business?—A. They had accepted risks that they should not have accepted.

Q. Of course, that is the case with all insurance companies, more or less, but they were doing an unsound business in that respect, generally accepting bad risks?—A. If I made a positive answer to that it would not be correct. What I refer to is the action of the company in almost the beginning of its life, reinsuring or taking over two or three other associations, without examination, and thereby got a whole lot of impaired risks right at the start. That is what I mean.

Q. You stated in a previous answer that you found that they had been taking bad risks, and it is in that connection that I asked you at what time you first became aware of that fact?—A. About 1890, I should think, or thereabouts—I cannot recollect. It was when I first saw the report of the examination of the company, which was in 1885.

By the Hon. Mr. McSweeney :

Q. When did you leave the company?—A. In 1896.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company :

Q. Is it not a fact that up to 1895, perhaps later, the mortality ratio of the Mutual Reserve was, generally speaking, lower than the majority of other companies?—A. It compared very favourably with other companies.

Q. And the expense ratio also, if I take the speech which you delivered?—A. Yes.

Q. Nevertheless, you charged the association, previous to 1895, with taking bad risks and extravagant management?—A. That is not the way I answered the question, and I should prefer to answer it in the same way—that it was not as economically managed as it should and could have been, and there was not that care in the selection of risks which should have been taken.

Q. Is this copy of a letter, dated February 14, 1896, and contained in this letter-book, signed by you?

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NEW YORK, February 14, 1895.

Mr. JACOB AFFELDERY, 124 Sheffield St., Alleghany, Pa.

DEAR SIR,—Your favour of the 10th instant came duly to hand. We take pleasure in stating that the Mutual Reserve Fund Life Association was never in a sounder condition financially than it is at the present time. The year 1895 showed an increase in net surplus of over \$306,000, and an increase in business in force of over 15 millions, the total insurance in force now being \$308,659,371.

We are surprised to learn that you have decided to give up your insurance in this association for the reasons which you stated.

I am inclosing you a four-page circular containing tables which clearly prove that the Mutual Reserve is one of the most economically managed and progressive life insurance companies in existence, and that its lapse ratio to business written is smaller than any one of the three largest New York level premium companies. Examine tables Nos. 3 and 4, and you will see that the New York companies terminated nearly 97 per cent of the insurance written in 1894, compared with less than 54 per cent terminated by the Mutual Reserve. The six other companies named (table No. 4) terminated nearly 92 per cent of their new business written, compared with 53.68 per cent terminated by the Mutual Reserve. From every standpoint that you examine the question, the Mutual Reserve Fund Life Association is pre-eminently to be preferred. Table No. 6 is also worthy of your special attention, showing as it does, that the companies named expended nearly 27 millions in securing new business, which new business only brought in an income of a little over 21 millions. Table No. 5 shows that the cost per \$1,000 of new business in the Mutual Reserve is only \$14.43 compared with an average of nearly \$40 for each \$1,000 of new business accepted and paid for under old system companies.

With reference to the unpaid premiums referred to in your letter, I beg to explain that while we do not admit that your figures are correct, it is a fact that all life insurance companies report uncollected or deferred premiums. In the case of the Mutual Reserve, there are premiums of which notice has been given to the members, but the premiums are not yet due. For example, in every mortuary call sent out the following appears: 'Notice is hereby given that the further regular stated assessments or mortuary calls, each for at least an amount equal to the amount of this assessment or mortuary call, are hereby made upon you, which will be due and payable, the first within thirty days from the 1st of April, 1896, and the other within thirty days from the 1st of June, 1896.'

The above is a quotation from mortuary call No. 84 sent out February 1, 1896, from which you will see that notice is also given of the two mortuary calls in advance, and in making up the annual report for the various insurance departments under the heading of contingent mortuary assets, these mortuary calls, of which notice has been given, are entered as mortuary assessments called and not yet due, and inasmuch as one mortuary call now brings in nearly \$800,000, you can see that two mortuary calls will of themselves make up quite a large sum.

In looking over the annual report of the superintendent of insurance of the State of New York, I find that at the close of the year 1894 the total uncollected or deferred premiums of the Equitable amounted to \$2,984,112. The same item in the Mutual Reserve amounted to \$3,107,496.24, and in the statement of the New York Life it amounted to \$4,885,657.67. Under the old system of life insurance, the premiums are payable annually in advance. By paying interest the insured may take his payments quarterly or semi-annually.

The uncollected or deferred premiums given in the report which I have quoted are premiums which are paid quarterly or semi-annually.

I am sending you under a separate cover a copy of President Burnham's report, of which we are all very proud, and consider it one of the finest addresses that has ever been made at the annual meeting of any life insurance company. Your atten-
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tion is specially called to the report of the Pittsburg committee as it appears on pages 31 to 35 inclusive. I am sending you under separate cover a copy of the Pittsburg paper containing a full report of Pittsburg committee which visited the association for the purpose of satisfying themselves as to the importance to be attached to the rumours which were being circulated against the Mutual Reserve.

If you still require the protection of life insurance, you cannot possibly get it in any company with as good security and on as reasonable terms as you can in this association. It is, therefore, to your own interest to carefully examine the question before finally deciding to allow your policy to lapse.

If you decide to reinstate, please fill up the inclosed health certificate and forward the arrears of premiums.

With best wishes, I am,

Yours truly,

J. T. PATERSON,

Corresponding Secretary.

A. No doubt that is a copy of a letter I wrote at that time.

Q. It is a copy copied through the usual letter press?—A. Yes.

Q. This letter is written to a policy-holder, is it not?—A. I presume so—I have no doubt it is—or to an agent.

Q. You say to this policy-holder, 'You cannot possibly get the protection of life insurance in any company with as good security, and on as reasonable terms as you can in this association'?—A. That is an excellent letter; I have no hesitation in saying that is my letter.

By the Hon. Mr. Robertson :

Q. Will you kindly give us the reasons why this man withdrew from the company?—A. I cannot recollect the reasons now. It was six or seven years ago, but in all probability his reasons would be the rates—

By Mr. Geoffrion, Counsel for the Mutual Reserve Company :

Q. Is it not a fact that towards that date all the lapses were due to increased premiums?—A. Yes.

By the Hon. Mr. McSweeney :

Q. You stand by that letter?—A. I do stand by that letter, every word of it.

By Mr. Geoffrion, Counsel for the Company :

Q. The part where it says that it is the most economical and progressive life insurance company?—A. One of the most. It does not mean that it could not have been more economically managed.

By Mr. Coster, K.C., for the Committee :

Q. Even at that date?—A. Even at that date.

By Mr. Geoffrion, Counsel for the Mutual Reserve Co. :

Q. Would you please look at another letter in this letter-book at page 36, dated February 15, 1896, and addressed to J. J. Spearman, in which you inclosed a four-paged circular containing a table which clearly proves that the Mutual Reserve is one of the most economically managed and progressive life insurance companies in existence?—A. That is correct.

Q. It also incloses President Burnham's address, which is described as being 'brimful of valuable information which should be read by everyone who is interested in life insurance'?—A. That is right.

Q. Then a letter of March 21, 1896, addressed to Henry T. Morgan, and signed by you, and which is practically to the same effect?—A. Those letters are all practically the same thing. It is a very different thing to be asked to make a positively false statement and to going out and trying to solicit business for a company that you knew at that time was perfectly solvent and managed by men, a large number of whom you had implicit confidence in.

By the Hon. Mr. Wilson:

Q. Your duty was to do what you were told by your employers?—A. So far as I could conscientiously do so.

Q. But you were not supposed to perjure yourself, or tell a lie or deceive a deputation for that purpose?—A. No.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. Nor a policy-holder?—A. No.

Q. After leaving the employ of the association you started to publish a newspaper?—A. Yes.

Q. Called what?—A. 'The Insurance Counsellor.'

Q. This newspaper you published continuously till when?—A. Till January, 1900.

By the Hon. Mr. Béique:

Q. You commenced to publish it when?—A. The latter part of 1896. The first issue was in 1896.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. This paper, in its first issue, published several articles in favour of the association, did it not?—A. Of the association, yes.

Q. Of course it accepted the advertisement of the association?—A. It did.

Q. And it was absolutely friendly to it?—A. To the association, yes.

Q. Till when did it remain friendly to the association—when I say friendly, I mean actively friendly, publishing articles?—A. Till about probably about 1898, or perhaps even later than that. What I mean by friendly to the association, is advocating this system of life insurance on which the Mutual Reserve Fund Life Association was conducting business, not necessarily endorsing the management.

Q. Do you mean to state that your newspaper, from the period you began to publish and for some time afterwards, did not actively support the association specifically, as distinguished from the system of assessment insurance?—A. I have no doubt but there were articles which appeared in the 'Insurance Counsellor' intended to benefit the association.

By the Hon. Mr. Béique:

Q. To specially favour it?—A. Yes, I would not doubt but what there were.

By the Hon. Mr. Robertson:

Q. After you left?—A. Yes.

Q. It would show that you had no vindictive spirit towards the association?—A. None whatever.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Were there not articles in favour of the association as an association, and not only in favour of its system?—A. I think so, probably.

By the Hon. Mr. Béique:

Q. After you had left the company's employ?—A. Yes.

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Q. I understand the question is as to whether you did not recommend in your paper the association from the point of view of the business that they were doing after you had left their employ?—A. I think I did.

By the Hon. Mr. Robertson:

Q. Were those advertisements paid for, or written by yourself?—A. The advertisements were paid for.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Were there articles?—A. But there were editorials written by me which appeared in the 'Insurance Counsellor' setting forth the advantages of the Mutual Reserve Fund Life Association, as far as I recollect.

By the Hon. Mr. Béique:

Q. Were they paid for?—A. No, they were not paid for; they were my editorials.

Q. They never paid you for any article?—A. They never paid me for any editorial.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. These editorials advised people to insure there?—A. I cannot recollect what I said. I am speaking in a general way.

Q. They practically amounted to that. You may not have said so in express terms, but if you mentioned to the public the advantages it was to encourage people to insure there?—A. I do not so testify.

Q. Have you the complete file of your newspaper?—A. I have.

Q. Where is it?—A. In New York city.

Q. Where could they be consulted? Do you know where they are kept?—A. They could not be consulted anywhere else than at 219 West 83rd Street, as far as I know. I have the only complete file, as far as I know. I might add that I was paid twice as much for the advertisement of the Mutual Reserve for the space it occupied as any other company.

By the Hon. Mr. Wilson:

Q. And therefore could afford to write an editorial once in a while?—A. I would not make that admission.

Q. You could afford to do it?—A. Yes, I could afford to do it, but I would not do it.

By the Hon. Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. If some employee of the association asked permission to go and consult your file, or some one on their behalf, would you allow him?—A. No, I would not care to put my wife to the trouble; she is not in good health at all, because I myself at the present time scarcely know where to put my hand on it. I wish to state to the Committee, that if furnishing a complete set of the 'Insurance Counsellor' in three or four days would be beneficial, I think I possibly could do it by writing to New York for them.

Q. And I could consult them with you in your presence?—A. If you like. I should like to make a statement in order that I may not appear at a disadvantage later on. I cannot guarantee that I will be able to furnish the files of the 'Insurance Counsellor,' for at the moment I do not know where they are. They are in my possession somewhere. I may not be able to get them, but I will do my best.

Q. On August 24, 1897, you were no more in the employ of the association?—A. No, I was not.

Q. That date you wrote on the paper of the 'Insurance Counsellor' a letter addressed to Mr. Vrooman, of the Mutual Reserve Fund Life Association, which is now shown to you?—A. That is correct.

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Q. The heading of that letter is : 'J. Thomson Paterson, editor and manager; author of the Natural Premium Life Underwriters' Manual, which system of life insurance should I select ?—A. Yes.

Q. You say, 'I am now revising the N.P.L.U. Manual,' what is that ?—A. The National Premium Life Underwriters' Manual.

Q. 'And which system of life insurance should I select, and being forced to spend nearly \$700 before I get any returns from them, I find myself rather short of funds' ?—A. Yes.

Q. 'If the Mutual Reserve will advance me \$250 it will help me very much, and place me under lasting obligations to it. The amount so advanced can be charged against services to be rendered, either in advertising or in furnishing the association with such of my publications as it may wish to use' ?—A. Yes.

Q. And the last paragraph of the letter says you were in a hurry ?—A. I wrote that letter. The circumstances were exactly as represented at that time.

Q. Did they advance you the money ?—A. They bought the copies of the book. I do not recollect if they did advance me the money; it is my impression they did not.

Q. Look at the letter which bears your signature, dated October 7, 1898 ?—A. That is my signature.

Q. Addressed to Mr. Burnham, the president ?—A. Yes.

Q. This letter reads as follows :—

NEW YORK, October 7, 1898.

Mr. F. A. BURNHAM, President,
Mutual Reserve Fund Life Association, City.

DEAR SIR,—Mr. McNichol surprised me very much the other day by telling me that he heard that the next issue of the 'Insurance Counsellor' would contain an attack on the Mutual Reserve, but as he assured me that he did not believe it and had so stated, I decided not to attach importance to the rumour by repeating it. I would not trouble you with it now were it not that Vice-President Wells met me on Broadway yesterday and informed me that it was reported to you that I had prepared an article which would appear in the 'Counsellor,' giving all the particulars relating to the alleged misunderstanding or contention between certain officers of the Mutual Reserve Fund Life Association, noticed in the public press a few days ago.

I most positively assure you that no such article has been prepared for the 'Counsellor,' nor has any one ever suggested the idea to me. I have no reason to have any other opinion than that the Mutual Reserve is in a sound condition financially, and shall continue to do everything in my power to assist in keeping it so. The failure of a well-established life insurance company or association, such as the Mutual Reserve, with hundreds of millions of insurance in force, would be a calamity which would, and ought to mean ruin and disgrace to those who are responsible for it.

I fully realize the responsibility which I owe to the public as editor and publisher of the 'Insurance Counsellor,' and shall never allow its columns to be a medium of attack upon any individual or company unless there is a principle involved and the circumstances such as to leave no doubt in the mind of anyone that in doing so I am discharging a conscientious duty.

Yours truly,

J. T. PATERSON,
Editor and Manager.

You wrote that letter ?—A. Yes. I wrote that letter, and would write exactly the same letter to-day under the circumstances.

Q. On May 15, 1899, you were still on good terms with the association ?—A. Yes, with the association. I was never on violent terms with anybody.

By the Chairman:

Q. Were you a policy-holder in the company ?—A. I was.
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Q. Are you still?—A. No, I discontinued my policy.

By the Hon. Mr. Béique:

Q. When?—A. When the suits were discontinued I discontinued my policy. I do not know the exact date. About 1902, I think some time—either in the latter part of 1901 or in the early part of 1902.

Q. You were a policy-holder when the company took that step against you?—A. Yes, I was.

Q. For what amount?—A. Six thousand dollars.

Q. When had you taken the policy?—A. The first one I had taken away back in 1886.

Q. Was it the fifteen-year policy?—A. Yes.

Q. Had it not been converted into a five-year policy?—A. It had not.

Q. And the other policy was taken when?—A. In 1888.

Q. On the fifteen-year plan?—A. Yes.

Q. And not converted?—A. Not converted.

Q. So that you were interested in the welfare of the company?—A. I was, and am still.

Q. You would be creating the impression that you are still a policy-holder?—A. I am not interested as a policy-holder, but as interested in life insurance. I still regard it as a fact that the failure of a life insurance company is a calamity.

By the Hon. Mr. Domville:

Q. What do you call a failure?—A. A failure is going entirely out of business, on account of the inability to pay its obligations.

By the Hon. Mr. Béique:

Q. It reflects on all of the company?—A. It does harm on insurance generally.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. I have another letter, April 20, 1897?—A. That is my signature.

Q. This letter reads as follows:—

NEW YORK, April 20, 1897.

Mr. F. A. Burnham, President,
Mutual Reserve Fund Life Association,
New York City.

DEAR SIR,—You will remember that when I last saw you in your office I suggested that the propriety of the Mutual Reserve Fund Life Association taking 100 copies of the 'Counsellor' regularly every month, and offered to furnish you that number, and advertising space of 1 in. of a column each for five (5) of your principal agency departments, in consideration of your paying \$150 when you give me the order, i.e., \$100 for the 100 copies of the 'Counsellor' each month for a year, and \$10 each for the advertisements.

By accepting this offer you can have the Mutual Reserve advertised in five different places. The benefit of this kind of advertising would be that it will tend to relieve the home office of considerable correspondence. For example, if Mr. Chapman, of Dallas, Texas, was advertised as manager for Texas, &c., any one wishing to represent the Mutual Reserve in Texas would be likely to correspond with him.

Knowing you are willing to do anything within reason to assist in establishing the 'Insurance Counsellor,' and awaiting your early reply, I am,

Yours truly,

J. T. PATERSON,
Editor and Manager.

That is correct?—A. Yes.

PATERSON

By Mr. Coster, K.C., Counsel for the Committee :

Q. How much did they pay you for the business ?—A. They paid me \$600 per year for the advertisement, and paid other things. When they bought books they paid for them.

By the Hon. Mr. Bériquet :

Q. When they wanted extra advertisement they paid it ?—A. Yes.

Q. The \$600 was the regular advertisement ?—A. Yes, \$50 per month.

By the Chairman :

Q. Is that the advertisement you refer to when you state that they paid you twice the amount other companies paid ?—A. It is.

By the Hon. Mr. McSweeney :

Q. Was it for a column or for a half-column ?—A. It was half a page, if I remember rightly.

Q. When did you publish the article complained of, the article for which you are charged with libel ?—A. It appeared in the January number of the 'Counsellor,' 1900.

Q. Was the advertisement in the 'Counsellor' stopped before or after that article ?—A. The advertisement was stopped prior to the publication of the article on which suit was brought, but I had published an adverse criticism of the management prior to that time when I had the advertisement. The two articles, the advertisement and my criticism appeared in the same issue, and I was paid \$50 for that advertisement.

Q. Is not the first article, the adverse criticism that you published for the first time against the association, the letter appearing in the number of the 'Insurance Counsellor' of August, 1899, being a letter addressed by you to Mr. Burnham ?—A. It is.

Q. That is the first attack ?—A. The first adverse criticism of the Mutual Reserve, the first adverse criticism of Mr. Burnham, as far as I recollect, that appeared in the 'Counsellor.'

By the Chairman :

Q. Did you have the advertising of the Mutual Reserve at that time ?—A. There is the advertisement of the Mutual Reserve Life Association in the same issue.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. I understand this letter was first addressed to Mr. Burnham ?—A. It was.

Q. And not published in the paper ?—A. The article was written and addressed to President Burnham and mailed to him and on receipt of his reply, which is also published, the article was prepared and published within a short time afterwards.

Q. You wrote a letter to President Burnham, which is here ?—A. Yes.

Q. And in answer you got the letter published below ?—A. Yes.

Q. And you published the two letters together with an editorial ?—A. That is right.

Q. And in your letter you are complaining of the alleged fact that Mr. Burnham had called a special assessment on certain policies, including your own. Is that not the complaint ?—A. That is not my interpretation.

Q. What is the purpose of the letter that you addressed to Mr. Burnham on August 8, 1899 ?—A. It is a remonstrance against the wisdom of sending out an extra mortuary call of which I have notice—the blank form.

By the Chairman :

Q. Did you write it as an editor or as a policy-holder ?—A. I wrote it first as a policy-holder.

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Q. The two letters read as follows—

‘WHOM THE GODS WISH TO DESTROY THEY FIRST MAKE MAD.’

(Copy.)

PRESIDENT'S OFFICE,
MUTUAL RESERVE FUND LIFE ASSOCIATION,
MUTUAL RESERVE BUILDING, NEW YORK,
August 10, 1899.

Mr. J. T. PATERSON,
Editor and Manager ‘Insurance Counsellor,’
320 Broadway, New York City.

DEAR SIR,—In the usual course of business, your letter of 8th instant, addressed to the president, comes to my desk for attention. I note your statement that this letter is written by you as a policy-holder of the association, and not as editor of the ‘Insurance Counsellor,’ although to your signature you append the title of ‘Editor and Manager,’ which appears on your printed letter-head.

I will thank you to furnish me with the source of your misinformation. The board of directors and executive committee of the association fix the times and amounts of assessments, and neither body has directed that a special call be made on September 1, as you say you are informed, or even considered such action. As a policy-holder of the association you will, in the future as in the past, receive the usual thirty days’ notice of all calls, and rest assured that the present management will perform the duty which rests upon it, of calling upon the members as frequently as may be necessary for such amounts as may be required to pay in full all honest death claims.

With reference to your attempted criticism of the cost of adjustment of death claims and cost incurred in collecting assessments, there has been no proportionate increase in the first item, and, as to the second, such increase as there has been in collecting assessments has been in the main due to the unsuccessful but vigorous endeavours made by some policy-holders to prevent the collection from them of the proper cost of insurance in accordance with the terms of their contracts, such resistance being based upon literature issued by you and others under the former management of the association, leading the members to believe that they had fixed premium contracts. I have before me now a circular bearing your name, which is made the basis of a recent suit, in which, contrary to the foundation principle of the association, and contrary to the facts and the provisions of its policies, this positive statement is made, viz.: ‘cost does not increase as age advances.’ The management has been compelled to defend these suits, and in doing so it has been uniformly successful; but, of course, this success has been attended with considerable expense, but for which the management is in no wise responsible.

The statement which you claim not to understand the meaning of, viz.: ‘Payments for policies surrendered,’ first appeared in the assessment notices under the former management, at a time when you were employed by it in the preparation of literature, and has been continued since that time. In this connection, what common sense and business sagacity would indicate to most men has been judicially determined, namely, that corporations of this character possess the same right to protect the best interests of their members as do such individuals in the exercise of their personal prerogatives, and that where, in the judgment of its board of directors the redemption of a policy shortly to become a death claim, will obviate the payment of a much larger sum in the immediate future, it has authority so to do.

Your attempt at criticism of certain items of expenditure has caused us to look into others, and we find that the association is paying you \$50 monthly, or at the rate of \$600 per annum, for an advertisement in the ‘Counsellor,’ which the agency depart-

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ment reports to be entirely unproductive of results. If this unproductiveness continues, do you as a policy-holder (and, as the letter I am answering indicates, something of a critic in the matter of expenses) think the present management of the association, in view of its determination to cut off every unnecessary expenditure, would be justified in continuing these payments to you?

Yours truly,
(Signed)

WILLIAM JOHNSON,
Private Secretary..

MUTUAL RESERVE 'SPECIAL CALL.'

(Copy.)

NEW YORK, August 8, 1899.

Mr. F. A. BURNHAM, President,
Mutual Reserve Fund Life Association,
City.

DEAR SIR.—I am informed that it is the intention of the management to make a special call on the 15 and 10-year policy-holders of the Mutual Reserve on the first of September, and write you to say if this is done the members will, in my judgment, have just cause for complaint.

In the financial report for May 19, 1899, the total cash and invested reserve surplus is stated to be \$3,007,560.95, and in the financial report July 20, 1899, it is stated to be \$3,011,848.38.

If the current receipts exceeded the amount required for losses during the sixty days by \$4,287.43, why is it necessary to make an extra call?

I also wish to call your attention to the fact that during the six months previous to July 20, the enormous sum of \$179,392.91 has been expended in the cost of adjustment of death claims, cost incurred in collecting assessments and in payment for policies surrendered. This amount covers only six months, and is much larger than the amount expended for like purposes in any other year.

I, in common with many other policy-holders, most positively object to paying special calls under a management which expends such a large sum in adjusting death losses and collecting assessments.

I do not quite understand what is meant by 'payments for policies surrendered,' especially when immediately under this statement there appears the following: 'Bonds redeemed 15-year plan.'

I was always given to understand that the policies of the Mutual Reserve had no surrender value, and do not believe that those who are willing to keep up their insurance should be assessed to pay surrender values for others. It is a direct violation of the principle upon which the Mutual Reserve is furnishing life insurance.

I am writing you not as an editor of the 'Insurance Counsellor,' but as a policy-holder, as I greatly fear the consequences if this special call is sent out. Any information which you can give me explaining the circumstances will be carefully considered, as I have no other desire than to further the best interests of the Mutual Reserve Fund Life Association.

Awaiting your reply, I remain,

Yours truly,
(Signed.) J. THOMSON PATERSON.

WITNESS.—I think I might say to the Committee that it is important that the editorial be read in connection with these two letters, as it will throw some light on what afterwards happened, and on what has been discussed here.

Mr. GEOFFRION.—The editorial reads as follows:—

If the president of the Mutual Reserve Fund Life Association will place us in a position where we have authority to do so, we will subpoena the superintendent of the PATERSON

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mortuary department and clerks, who, if examined under oath, will testify that on the 9th day of August they were at work filling in the names and amounts in mortuary notices for the fifteen and ten-year members, on which appeared the words 'special call,' and which were dated September 1, 1899, and which contained the following statement:—

'The above payment must be made on or before the second (2) day of October, 1899.'

Article XI., section 5, of the Constitution and By-laws of the Mutual Reserve Fund Life Association reads as follows:—

'On the first week days of the months of February, April, June, August, October and December of each year (or at such date at the board of directors may, from time to time, determine) an assessment shall be made upon the entire membership in force, at the date of the last death of the audited death claims prior thereto, for such a sum as the executive committee may deem sufficient to meet the existing claims by death, the same to be apportioned among the members according to the age of each member.'

It will be seen from the above section of the constitution and by-laws that the regular calls are made bi-monthly, commencing on the first week day of February each year. This is why the call, which it was President Burnham's intention to make, was marked 'special call,' it being dated September 1, and *payable on or before October 2.*

We have copies in our possession of the blanks marked 'special call,' as above described, and know it to be a fact that clerks were working after hours, and that extra help was employed to get out the notices for the 'special call' on September 1. No officer or employee of the association except Mr. F. A. Burnham would take the responsibility of ordering notices printed for a 'special call' and give instruction to have them filled in and addressed; and the fact that he has done so without even consulting the directors or executive committee is proof positive that he is their director, and that *he knows that they are certain to do as they are directed.*

Mr. Burnham still insists that it was never intended that a 'special call' was to be made in September, and the story now told is that the blank notices were printed in order that they might be on hand when required.

Just think of it. 100,000 'special call' notices printed, and all of them dated September 1, 1899, and several thousand of them all ready for the mail, not that it was the intention of the management to send them out, but simply to have them ready, and neither the board of directors nor the executive committee have 'even considered it.' If the 'special call' is not sent out September 1 the notices now on hand will be useless, and another 100,000 will have to be printed, just to have them ready. Can it be possible that the financial condition of the association is such as to make it probable that a 'special call' must be made and the directors are not aware of it? If the directors have delegated their authority to this one man, Mr. F. A. Burnham, what right has any one of them to the \$1,000 in fees which they receive every year?

If the investigation which is being made by the Insurance Department of the State of New York confirms the charges which have been made against Mr. Burnham, the directors are likely to be held responsible, and may be called upon to pay dearly for their neglect of duty.

Neither the 'Insurance Counsellor' or any other journal, firm or individual, should be paid a single cent for which value is not given in return. The officers of the life insurance companies are simply the custodians of funds entrusted to them by policy-holders or members, not for the purpose of enriching themselves or their friends, but to be kept sacredly for the protection of the widow and the orphan.

If the management has paid the 'Counsellor' \$50 per month, knowing it is not receiving value for it, it does not require a very great stretch of imagination to believe that this same management has misappropriated the funds which it is charged with having done. We shall await with interest the official report of the examination which

is being made by the Insurance Department of the State of New York, and, after it is published, we may find it to be our duty to do something more than merely 'attempt at criticism.' If we know ourselves, and we think we do, no man can ever own us. We realize the responsibilities which devolve upon us as a journalist, and shall continue to edit the 'Counsellor' honestly and to the best of our ability.

It is quite possible that an advertisement in the 'Counsellor' is 'entirely unproductive of results,' in so far as the Mutual Reserve is concerned, and without any fault or reflection on the 'Counsellor.'

The following are a few extracts from letters addressed to the editor by officials of life insurance companies advertising in the 'Counsellor,' with most satisfactory results:—

'The benefits received from our advertisement has already exceeded the cost many times over, and indicates to us that the 'Counselor' is a popular insurance journal among insurance men.'—H. S. HALBERT, President South-western Mutual Life Association.

'We have remarked the large number of inquiries for agencies that have come to us as the direct result of our card in your paper.'—DOUGLAS PUTNAM, Secretary Bankers' Life Association, St. Paul.

'Your columns have proved valuable to us as an advertising medium, and it seems to me that no live organizer, agent or insurance officer should be without the 'Counsellor.'—S. GALESKI, Supreme Secretary American Guild.

Q. After this exchange of amenities the advertisement was withdrawn?—A. Yes.

Q. And shortly after the article which is claimed to be libellous was published?

—A. That was published in August, and the alleged libellous article appeared in January.

By Mr. Coster, K.C., Counsel for the Committee :

Q. The article appeared in January, 1900?—A. Yes. That is what convinced me it was my duty to publish the alleged libellous article.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Up to that time you had been a friend of the association and defended it in your paper?—A. Up to that time I had never said anything detrimental to the association or management.

Q. On the contrary, you had spoken in favour of it?—A. And had spoken in favour of the association, no doubt.

Q. The action for libel was taken against you shortly after the publication of the article?—A. About three weeks, after it, I should think—the exact date was March 8th.

Q. 1900?—A. Yes, about two months after.

By the Chairman :

Q. Two months after the article was printed?—A. No, it could not be as late as that.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. The January number appeared only in February?—A. I think it appeared late in January.

Q. And the action for libel would have been taken in March?—A. It is firmly impressed in my mind it was the 8th March.

Mr. COSTER, K.C.—The summons was issued March.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. The article appeared the end of January or the beginning of February?—A. My recollection is it was the 8th March.

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Q. It was early in March, according to your recollection?—A. Yes.

Q. And the article appeared late in January or early in February?—A. Yes.

Q. Criminal proceedings were afterwards taken against you for libel?—A. About from a year to fourteen months afterwards.

Q. It was on another libel?—A. Oh, practically the same article.

Q. Was there not another article?—A. There was.

Q. I understand it was practically the same article republished in another issue?—A. It was.

Q. With some slight changes?—A. Dealing more in detail with the subject which was discussed in the first article.

Q. On that second criminal action you were discharged by the magistrate?—A. I was.

Q. But were you not subsequently indicted by the grand jury?—A. I was.

Q. For the libel?—A. For criminal libel. I was indicted by the grand jury after having been discharged by the magistrate, and after the association had requested the same magistrate to reopen the case, which he consented to do at the request of my counsel, and we appeared before the magistrate and the district attorney stated that he had no new evidence to produce, but that if the magistrate, Leroy B. Crane, would consent to reopen the case, he felt that he could make out a case against me. The magistrate stated that he had heard all the evidence—that he had read the briefs on both sides, and if there was no new evidence he positively refused to hold me for the grand jury. The magistrate having refused a second time to hold me, then the Mutual Reserve Fund Life Association went a second time to the district attorney, and I heard that I was likely to be indicted or the case was likely to be presented to the grand jury through the district attorney. My counsel made the special request that I be heard before the grand jury as a matter of privilege, and that request was granted, and the statement made that I would be notified when this would come before the grand jury, and the magistrate, Judge Leroy B. Crane, made the same request at the district attorney's office, and was promised that he would also have the privilege of being heard if this matter was presented to the grand jury, and the first thing that I knew of this case was the notice that I had been indicted by the grand jury and was liable to arrest, and only for the influence of my counsel, who arranged with authorities that I might appear the next morning, I would have again had to furnish bail at a late hour at night. I went up to the court next morning at ten o'clock and went through the usual procedure, part of which was that I was sent down into the Tombs and the jail, the time my papers were being made out, and I was duly indicted. About seven or eight months after that, perhaps, the case was called before Judge Foster, and at the request of the district attorney, was dismissed without trial.

Q. Before you were indicted you had taken an action in damages for false arrest against the association?—A. I had, and that was in my opinion why such a desperate effort was made to have me indicted.

Q. When you speak of the request made of the judge and by your counsel to the district attorney and so on, you speak from what they told you. That is not your personal knowledge?—A. That is my knowledge through my counsel.

Q. You therefore had between yourselves three suits pending at the same time?—A. Yes.

Q. The civil action against you for libel by the association?—A. Yes.

Q. And the action for false arrest shortly afterwards against them?—A. Yes, when I was discharged by the magistrate.

Q. And the criminal action for libel which was taken against you and on which you were indicted?—A. Yes.

Q. When did you cease to publish your newspaper?—A. I think the last issue appeared in October, 1900.

Q. How long was it before you were discharged at the request of the district attorney, approximately?—A. I think it was sometime in the fall of 1901, but I would not be sure, that I was discharged by the magistrate.

Q. No, on your indictment, at the request of the district attorney?—A. Sometime in the fall of 1901, I think.

Q. Now before being discharged at the request of the district attorney, you had written to the district attorney stating that you would discontinue to publish your newspaper?—A. That I had discontinued?

Q. That you would discontinue?—A. I never wrote such a thing that I recollect.

Q. Do you swear that you did not write to the district attorney that you had, or rather that you would discontinue to publish your paper?—A. I have no recollection of any such letter at the present time.

Q. You would remember it?—A. If I had written such a letter I think I would remember it.

Q. You swear positively that you never wrote to the district attorney that you would not publish any further article attacking the Mutual Reserve Fund Life Association?—A. I swear positively that I never wrote any such letter.

The CHAIRMAN.—Has counsel the letter?

Mr. GEOFFRION.—We will have it, I expect and will produce it when we get it.

WITNESS.—And further if any such letter is introduced, I have not the slightest doubt about it being a forgery.

By the Hon. Mr. Sutherland :

Q. What was the district attorney's name?—A. Philomen, I think at that time.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. He is what we would call here the crown prosecutor?—A. Yes. There were absolutely no conditions on my part or effort made for the withdrawal of that criminal case without trial.

Q. But it was not a condition?—A. I wished to go on trial with that case.

Q. You swear positively it was not one of the conditions of the agreement that your attacks in the newspaper would cease, or that the publication of a newspaper would cease?—A. The publication of the newspaper had ceased at that time.

Q. Do you swear the publication of the paper had ceased prior to your release?—A. Prior to the release, so far as I am able to recollect, that is so.

Q. But had you written notifying the district attorney of that fact, yes or no?—A. I never had any communication whatever, directly or indirectly, with the district attorney to the effect that I would discontinue publishing articles against the Mutual Reserve Fund Life Association, or criticising it.

Q. Did you have any communication whatever about that time with the district attorney to that effect concerning conditions on which you would be released from the prosecution?—A. I have no recollection of ever having had any correspondence whatever with any one as to conditions on which this prosecution should be discontinued.

Q. Did you authorize your attorneys to write such a letter as that?—A. I never authorized my attorneys or any one else to write such a letter.

Q. What induced you to discontinue the publication of the paper?—A. I was induced to discontinue the publication of my paper because I could not maintain my independence and make any money out of an insurance paper.

Q. On account of the Mutual Reserve?—A. Not only on the Mutual Reserve, but on account of the same principle existing in practically all life insurance companies. An insurance paper is practically the paid organ of life insurance companies, and if it does not voice their sentiments it may as well get out of business.

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By the Chairman :

Q. They lose their ads ?—A. Yes.

The CHAIRMAN.—Has counsel that letter to which he has referred ?

Mr. GEOFFRION.—We have not had time to get it yet. I will produce the letter when I get it, but I cannot give an absolute legal guarantee that I will produce it. But I am asking the questions from my instructions.

WITNESS.—I have no hesitation in saying that the counsel having been informed of the existence of such a letter and believing that, he was justified in asking the question.

By the Hon. Mr. Béique :

Q. You have been asked, was it a condition of the payment of the \$5,000 made to you by the company that you would discontinue the publication of your insurance paper, or that you would not publish it if it had been discontinued already ? You would not continue to publish it if it had been already discontinued ?—A. The payment of that \$5,000 was made without any condition whatever of any kind.

Q. You stated yesterday—and I suppose you do not propose to take that back—that one of the conditions was that all the suits would be discharged—settled. So that there was a condition of some kind ?—A. I should like permission to explain that briefly. When negotiations were opened for the settlement of those civil suits, the first condition that was made was the criminal suit must be first disposed of, that no negotiations could go on until that suit was disposed of, either by trial or by the indictment being withdrawn, and the indictment was accordingly withdrawn and the civil suits settled afterwards.

Q. At any rate, you say that it was not a condition of payment of \$5,000 to you that you would discontinue to publish your insurance paper ?—A. It was not a condition.

By the Hon. Mr. Lougheed :

Q. Did you continue publishing it afterwards ?—A. I did not.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company :

Q. What was the date of the \$5,000 being paid to you ?—A. September 24, 1901.

Q. You stated, if I remember well, that the consideration of the payment of the \$5,000 was merely that you should allow the association to withdraw their suits against you ?—A. That is as I understood it.

Q. The only consideration ?—A. Well, if I made that statement I think it would be right to say, 'and the further consideration that I withdraw my suits,' which would be reasonable—

By Mr. Coster, Counsel for the Committee :

Q. One suit only ?—A. My suit.

Q. You exchange releases ?—A. I am not positive, but I think I had two suits I think I sued Mr. Eldridge and Mr. Burnham. I am not sure but that I had three suits. There were so many I cannot recollect them all. I had been assessed for a very large amount by the Mutual Reserve in that suit, and I wanted to get some of it back.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. And now you state that the \$5,000 was paid for the settlement of both their suits and your suits ? Is that not slightly in contradiction of the statements you

made yesterday ?—A. It may be. But if it is, it does not follow that it was made dishonestly.

Q. What was the \$5,000 to represent to you ?—A. To represent cash.

Q. Payment of what did you claim when you asked for that \$5,000, or in payment of what, did you take that \$5,000 ?—A. I considered it in payment of damages done me by the action taken by the association.

Q. In payment of damages that the association caused you ?—A. Part payment of damages. The damages were far greater than the amount paid.

Q. What sort of damages ?—A. Damages for the indignity and inconvenience, and to the injury of my feelings, &c.

Q. But by the arrest, I want to know ?—A. By the arrest and by the expense I was put to.

By the Hon. Mr. Béique :

Q. As a matter of fact, were you arrested four times ?—A. I am just thinking. It is my recollection that I was.

Q. So far you have stated that you were arrested twice at the instigation of the company, first when you were discharged by the magistrate, and then on the indictment of the grand jury. But at whose instance were you again arrested besides those two occasions ?—A. I was arrested first on the civil suit brought by the Mutual Reserve Fund Life Association against me and by the civil suit brought by Frederick A. Burnham, president of the Mutual Reserve Fund Life Association, and then about twelve months afterwards I was arrested in the criminal suit—that is three times.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Did not G. D. Eldridge arrest you ?—A. No, George D. Eldridge did not arrest me, and after being discharged by the magistrate I was again arrested, when I was indicted.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. When you were arrested you did not go to jail. You just gave bail ?—A. Yes, I had the honour of spending two hours and five minutes in jail once.

Q. Now, to come to a different subject, when was the fifteen-year class made what you call a close body, a distinct body ?—A. The first I learned of it as a decided action on the part of the Mutual Reserve Fund Life Association was, I think, in the year 1898-1897 or 1898.

Q. You do not know when it was done ?—A. I do not know exactly when it was done.

Q. You simply learned of it in 1897 or 1898. How did you learn of it ?—A. I learned it—

By the Hon. Mr. Beique :

Q. By what process was it made a close corporation ?

Mr. GEOFFRION.—He is mistaken about that.

Q. How did you learn it ?—A. I do not wish to be understood to have said that it was made a close corporation. What I intended to say, and what I wish to say now, is that they were put into a class by themselves separately.

Q. But to illustrate, do you claim that the death losses on the fifteen-year class and the death losses on the other class were assessed exclusively on those classes ?—A. What I meant was and what I understand now, is that the fifteen-year members were put in a class by themselves and made to contribute all the moneys required for the payment of death losses and expenses connected with their class.

Q. You learned of that in 1897 or 1898 ?—A. Sometime thereabouts.

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Q. How did you learn of it?—A. From the literature of the Mutual Reserve Fund Life Association, and, I think, from the official report of the Superintendent of Insurance.

Q. Could you point out anywhere in the literature of the association or in the official reports to the Superintendent of Insurance, anything tending to show that the members of the fifteen-year class were to bear alone the expenses and losses in their class?—A. I think I can.

The CHAIRMAN.—Quite a number of the members of the Committee desire to have such proof of that letter which has been referred to in cross-examination by counsel for the company as the counsel can furnish. If he cannot do it by primary evidence he might procure what secondary evidence he can.

The Committee adjourned until 8.15 p.m.

The Committee resumed at 8.15 p.m.

EDMUND PENDLETON, of Richmond, Virginia, attorney-at-law, was sworn and deposed as follows:—

By Mr. Coster, K.C., Counsel for the Committee:

Q. Where do you reside?—A. Richmond, Virginia.

Q. What is your business or occupation?—A. Attorney-at-law.

Q. How long have you been practising?—A. Since 1884.

Q. Are you a policy-holder in the Mutual Reserve?—A. I was.

Q. When did you become a policy-holder?—A. In 1886.

Q. In the United States?—A. Yes.

Mr. GEOFFRION.—This is objected to inasmuch as it has no bearing on the affairs of this association in Canada.

Q. What form of policy was it? What year was it taken out?—A. 1886.

Q. Then it was what was known as the fifteen-year policy?—A. I think that was the common designation of it.

Q. That is the only policy, according to the evidence, which was issued at that time?—A. Yes.

Q. Were you asked by the company to change that to the five-year plan?—A. Yes.

Q. Who approached you?—A. A man who introduced himself and came into my office in Richmond, I have forgotten the year now, 1895 or 1896.

Q. What was his name?—A. He introduced himself as a special representative of the company and called himself Mr. I. Brown.

Q. Did he have the particulars of your policy with him?—A. Yes.

Q. Why did he ask you to change it? Would you explain shortly what he said to you?—A. I will endeavour to tell you what he said to me. He came and introduced himself as the special representative of the company.

Q. Where was this?—A. Richmond, Virginia, came into my office in the Chamber of Commerce, and he said he came down there for the purpose of seeing various policy-holders who were in the city, that he had the list which he had in his hand, and I appeared on the list. He said, 'I have you on my list, Mr. Pendleton, as a policy-holder, and I desire, and the company desires, you to change to a new policy,' and he proceeded to give his reasons why it was to my advantage to change: that under the old policy that I held there was every latitude given to the company to increase in-

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definitely in my assessments, and he said with great frankness that the company proposed to avail itself of that privilege with such policy-holders as either would not or could not get out of that class into a new class which they had created, that it was the purpose of the company to save all of their policy-holders from this mesh-trap, substantially, as it was, by getting them out of that class and into the new class wherein they would have substantially a level premium and various changes in the policy. Their premium would be a trifle more than they were then paying, but in every human probability not nearly so much as they might ultimately pay under the old policies. He proceeded to say and to demonstrate: 'Now that a large number of the fifteen-year policy-holders could not go into the new class because they were too old or because their health was impaired. They would be left in the old class of fifteen-year policy-holders, that no more business would be issued on that fifteen-year plan—'

Mr. GEOFFRION objects to any statements by any agent to insured, beyond what was contained in the application and policy.

WITNESS.—And no new business would be done on the fifteen-year plan, and that the remnant of those policy-holders who would not or could not get into the new plan would be left to—I do not remember his language—but steam in their own grease is a very good illustration. They would have to pay their own losses among themselves, in other words, that the funds of new business and of the other plan would not be used to pay the losses of this plan. Now, he said, 'Mr. Pendleton, a man of your age cannot afford to do that, and I advise you to take this new policy, and I understood him to say that policy-holders beyond a certain age could not come in.

Q. What was the age?—A. My recollection is, that it was sixty years. He said policy-holders over sixty years would not be allowed to change into the new plan, but would be relegated to the old plan. I told him that if that was the deliberate purpose of the company, that business of that sort was not such as commended itself to my consideration, and I preferred to treat with any such organization as that strictly at arm's length and on a legal basis. He showed me the plan of the new policy, and I said, 'Mr. Brown, you may show that to somebody else.' But I said, 'There is a safety clause which I know must be in the policy, a safety clause under certain conditions in the premium.' I said that was out of the question, and 'you will have to excuse me, Mr. Brown; I do not want your policy on any terms.'

Q. Did he or did he not say anything about whether they would take any new business into the fifteen-year plan?—A. He distinctly said they would not.

Objected to.

WITNESS.—He distinctly said they would not, as one of the reasons why he urged me to take the new policy, because no new business would go into the fifteen-year plan.

Q. And they were changing the best business from the fifteen-year plan to the other?—A. Yes.

Q. With reference to the increase of rates in the five-year plan, did he tell you anything about that?—A. He said at first it was flat. It was fixed, and I laughed at him then.

By the Hon. Mr. Domville:

Q. What do you mean by flat?—A. Level rate that is not variable at all, same rate all the time, and I simply laughed at him, and I said I practised a little insurance law, and I think I know the meaning of a clause, and I turned the policy over and showed it to him, and it showed a flexibility and movability in the rate.

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By Mr. Coster, K.C., Counsel for the Committee:

Q. So that they could increase your rate, if they liked?—A. At the end of five years they could.

Q. Under the terms of the new policy offered you?—A. Under the terms of this policy offered me.

Q. Was that all the conversation you had with him?—A. Substantially. I think probably I may have suggested to him what I thought of the transaction as he had presented it to me.

Q. What did you think of the transaction?

By the Chairman:

Q. What did you say to him?—A. I said I thought it was a thoroughly dishonest transaction.

Q. That is what you said to him?—A. That is what I told him.

Q. Why did you tell him it was a dishonest transaction?—A. My reason for telling him so was because he had segregated some helpless policy-holders, left them in a class by themselves to pay their own losses, and taking all of the young blood out of that class and putting them on another plan, and if that was the plan adopted by the company, it was a dishonest plan, in my opinion.

Q. You told him you would keep your own policy?—A. Yes.

Q. And you would continue to pay the premiums?—A. I did as long as I felt like it. He says: 'The premiums of the old policy-holders left in this class will be continued until they get too heavy for them to pay,' and I said: 'Then, I will take to my tent, but in the meanwhile I will stand pat,' which I proceeded to do, and when the assessments did begin to get heavy, I let it go.

By the Hon. Mr. Béique:

Q. When?—A. I cannot recall the exact date. I think it was about 1899 or 1900, probably 1899. That is my recollection. It is some years ago, but the assessments got to be double or largely increased, and he said they were going to be increased; so far, in practice, they carried out what he had stated. So far the premiums were increased largely, what he had foreshadowed had been done.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Premiums were increased?—A. Yes.

Q. You cannot tell the motive?—A. No.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Is that all that occurred between you at that time?—A. All substantially that I recollect.

By the Chairman:

Q. Was there a question as to other policies?—A. I asked him: 'Would you put all policies in there?' And he says, 'Oh no, over a certain age will not be allowed.'

Q. Did you speak of policies of other people to him?—A. Nothing except in the matter of age. I took as an illustration my father's policy. He was rather an old man, and I said, 'You won't let him in there,' and he said, 'No, he is over age.'

By the Hon. Mr. Wilson:

Q. He mentioned to you both United States and Canadian policies—that they would come under that?—A. He did not specify that. He said the policy-holders in the fifteen-year plan.

By the Chairman:

Q. Which covers the Canadian policies?—A. Which I understood, and still understand, was meant to cover the whole business of the company in the world.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Do you know J. M. Stevenson?—A. Fairly well for about thirty years; he is my brother-in-law.

Q. Have you seen the printed copy of evidence in this matter?—A. Yes, I looked at it.

Q. You have read his evidence?—A. Yes, I looked at it.

Q. Were you present with him at a conversation or an interview which he had with G. D. Eldridge, the vice-president of the Mutual Reserve, and at what time?—A. I think, Mr. Coster, if you will permit me, I know what conversation you refer to, though it is not quite clear just what conversation he is talking about. I know what conversation was retailed in that evidence.

Q. Did you have more than one conversation when you three were together?—A. Not that I recall.

Q. Then give us the only one you had, and what was it?—A. I could not say positively that I was never present with Stevenson and Eldridge in my life. I have known both of them for years, and it is entirely possible that I might have been thrown in their presence.

Q. I was looking for the date?—A. I cannot give you the exact date, but it was along 1899.

Q. 26th January, 1899?—A. Yes, I believe that was the date. It was about that time.

Q. Can you tell me what happened at that interview? What occurred?—A. I can. I was there. Mr. Stevenson and myself were in New York together, and he told me at the hotel where I happened to be, that he had received a message from Mr. Eldridge asking him to call at his office, he wanted to see him on some business. That was a day or two after Mr. Stevenson had sent in his resignation—a day or two or a few days after Stevenson had sent in his resignation. He said to me, 'I sent word to Mr. Eldridge that I would meet him at one o'clock, and I want you to be present. I do not know what business Mr. Eldridge has, I do not know who will be there, and I want you to be with me.' I said 'assuredly I will be with you.' And at one o'clock we both went to the office of the Mutual Reserve and sent up our cards to Mr. Eldridge, and in a few minutes we were ushered up to his office. He met us very pleasantly, and the first thing I recall after the general, 'how do you do,' he said, 'Mr. Stevenson, you have made a mistake in sending in your resignation and I strongly advise'—understand, gentlemen, I am giving substantially what I recollect, not trying to quote Mr. Eldridge's exact words—'I strongly advise, urge or advise you to withdraw that resignation. I think that you are making a great mistake. You have been with the company a long time, and you have rendered good services, and I think you are acting hastily.' Well, the discussion went on. Mr. Stevenson declined to withdraw. He said no, he would not. He had made up his mind fully to insist on his resignation. It was discussed for probably an hour or more. Mr. Eldridge then suggested to him that he would allow him, if he would not withdraw the resignation, and allow him to take it and put it in his safe. He said: 'It would be here in my safe and I will hold it there and it will be subject to your disposal. If you insist upon sending it in later, why do so.' I suggested to Mr. Eldridge: 'Mr. Stevenson is going with me, Mr. Eldridge, to Virginia, to-night. He has promised me to go and he is going, and I do not think there is any chance of your getting him to reconsider, that is substantially my suggestion.' He said: 'Well, go. I know he needs rest. Go on down and take your holidays and your salary will be sent you. Just leave your resignation in my safe, allow me to put it in there and hold it, and when you come back, or when you get rested or get through with your holidays, stay any reasonable time you like, you are at liberty to insist upon your resignation or to reconsider it. Your salary will be sent you while you are there, and you will be at full liberty either to insist or to return just as you please.' I cannot recall the whole conversation, it is so long ago,

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but that was substantially what occurred. Mr. Stevenson, when the question of salary was mentioned, said: 'Mr. Eldridge, that is just one of the things I object to here, that it is the practice or habit of the company to pay officers after they have resigned or are not rendering services.' 'Well,' he says, 'it is a practice that has prevailed here, Mr. Stevenson, as you know, for a long time, but, of course, things have been done here that neither you nor I can approve of; you know that and I know that.' He says: 'I think you are supersensitive about not accepting your salary, and I think it would be much wiser for you to do it.' The discussion went on in that line for some time, all of it appearing or seeming to be an effort on the part of Mr. Eldridge to induce Mr. Stevenson to withdraw his resignation and agree to remain with the company. Mr. Stevenson declined to do that, would not agree to it, and in the course of an hour or an hour and a half, the conversation was over and we left. That is as I recollect it, substantially the conversation that occurred.

Q. About how long were you there?—A. About an hour or an hour and a half.

Q. With Mr. Eldridge?—A. With Mr. Eldridge.

Q. And you say the whole trend of the conversation seemed to be towards getting him to withdraw his resignation?—A. That was his sole purpose, as I understood it. If we were not there for that purpose we were not there for any that I know of.

Q. And Mr. Stevenson spoke about offering to make an appointment with him some time in Virginia. Was there anything said about that?—A. Yes.

Q. Mr. Stevenson said that Mr. Eldridge asked him or urged him to make an appointment in Virginia?—A. It was a part of the conversation. Mr. Eldridge says: 'Now, Mr. Stevenson, you may think better of this. I want you to think of it. I want you to turn it over in your mind. Go on and take your holiday; if you won't accept your salary then you won't accept it, and if you won't withdraw your resignation, you won't withdraw it, and there is the end of it; but we appreciate your services here. You have been of service to the association for a long time, and of value to it, and I think that you should be recognized. There are things that ought not to be done and changes ought to be made'—I cannot recall all.

Q. Changes of management?—A. I am trying to give impressions. The impression was that there was room for improvement in matters in the company that he was hoping and wishing to improve, and he wanted him to stay and fight the thing out on the inside and get the thing straight, as far as he could, and not get out and leave him. 'No,' he said, 'I will meet you at any time and I will ask you if at the end of your vacation you will have another meeting with me and let us talk this thing over further. I may have propositions that would be very advantageous to you.' He said, 'Will you agree to meet me after your vacation is over, or to tell me where I can meet you,' and I answered for him, 'Why, certainly, Mr. Eldridge, I am sure he will agree to that. He will do that.' We parted then, and that evening he went to Virginia with me. I do not recall just how long it was, about a month after, probably, he came back to my house.

Mr. Geoffrion objects that that is not evidence.

WITNESS.—Mr. Stevenson agreed to make an appointment to meet Mr. Eldridge. I answered that part, that he said he would notify Mr. Eldridge where he could meet him. He said he would meet him in Washington or Richmond.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. And there you parted?—A. Yes.

Q. And you did not meet Eldridge and Stevenson together since?—A. No.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Do you know that he did or did not meet him afterwards? Do you know anything about it?—A. I do know something about it.

Q. What do you know as to whether Mr. Eldridge and Mr. Stevenson met in Virginia?

Mr. GEOFFRION.—Does he know? We do not want statements of Mr. Stevenson.

A. I have not put in any statement of Mr. Stevenson. Pursuant to the terms which I made on behalf of Mr. Stevenson, and which he ratified, when Stevenson finished his vacation and returned to my house, he there and then, on my reminding him of his promise to Eldridge to say where he could meet him, if he desired to meet him, wrote a note to Eldridge saying, on a certain day he would be in Washington, and if Eldridge desired to do so, he could meet him at one of the hotels there. A day or two after that, next day probably, probably the next night, a telegram was brought to my house from Mr. Eldridge, addressed to Mr. Stevenson in my care, saying, 'Detained by storm; letter follows.' I am giving substantially my recollection of the telegram. There was a frightful blizzard, as I call it, very heavy snowstorm swept over the States. It was pretty bad, and the trains were all thrown out, and wires down, and snow banked up, and this telegram got to me. Mr. Stevenson did not get any letter. He was at my house for a day or two longer, and went back to New York, and a few days afterwards I was in New York, and learning that Mr. Stevenson had not received that letter which Eldridge spoke of in his telegram, I suggested, myself, that I had better write a note to Mr. Eldridge and say that no letter had been received; that in view of the heavy snowstorm that prevailed and the mails being scattered and miscarried, possibly Mr. Eldridge might have written and might think it had been a matter of discourtesy in failing to notice his letter; whereupon I wrote a note to Mr. Eldridge, stating the fact that since his telegram, that Mr. Stevenson, I had learned, had not received any letter. That was the last communication, as far as I know, that passed between Mr. Eldridge and Mr. Stevenson or myself.

Q. At any rate, he refused to go back to the company?—A. Yes, he distinctly refused to go back to the company.

By the Chairman:

Q. Stevenson stated that he had his resignation under consideration for some time. Is that a fact?—A. It is. I advised him to resign, when he first summoned me from Virginia

Q. When was that?—A. In October, 1898.

Q. Give us the circumstances.—A. I had a telegram from him, telling me to come to New York, that he wanted me, and I went there, and he showed me the state of affairs and state of facts in regard to the Mutual Reserve, some matters of practice and usage and habit and some acts, what purported to be acts—I am telling you what was laid before you—

By the Hon. Mr. Béique:

Q. Nobody belonging to the company was there?—A. Well, he was an officer of the company.

Q. Nobody else?—A. Mr. Wells was an officer of the company. I do not know whether I met them first together or not. I think probably I met Mr. Stevenson first, but at any rate he had some—not facts of his own—

By Mr. Coster, K.C., Counsel for the Committee:

Q. He was an officer of the company?—A. Yes, and I was his relative and his attorney on all questions that needed an attorney, and he said: 'We have been in a terrible fix here, and a terrible row going on, and I'—

Mr. Geoffrion objects to this as hearsay evidence.

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By the Chairman:

Q. Tell us what you know personally in regard to the matter?—A. I simply know when I reached New York I advised him then and there to resign, for reasons shown me by himself, and he said he could not resign at that time, that he had committed himself to other officers of the company to remain in the company at least until the annual meeting, and endeavour to get things straight inside the company, and, for that reason, unless he were called upon to do something personally himself, that he considered improper or dishonest, he would not resign, or that was the reason why he preferred not to resign. At any rate he put it in such a way that I could not insist upon it, and, therefore, we compromised upon his waiting until the annual meeting on the showing he made me. I said: 'This is no place for an honest man. You must get out.' And that is the reason he did not get out, just as I have stated, his agreeing to endeavour to save the company; to bring about a change by the annual meeting in January.

Cross-examined by Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Who were those officers towards whom he had compromised himself?—A. I did not say he had compromised himself.

Q. I mean taken engagements not to resign?—A. He simply agreed with Mr. Wells that he would not resign until the annual meeting at any rate, unless it became absolutely necessary.

Q. At the next annual meeting there was an attempt to change the board, I understand, and he was to stay to help Mr. Wells in that attempt?—A. I did not know there was an attempt.

Q. The purpose?—A. Undoubtedly the purpose, but a purpose to be accomplished by agreement and concession by all parties. I do not think any contract was contemplated by any of the parties.

Q. You are not positive about that?—A. Yes, I am perfectly positive about that, as far as any information in the circle that I was informed in, Wells or Stevenson.

Q. When was it you advised him to resign and he said he could not?—A. In the fall of 1898, probably October or November, probably October, I think it was.

Q. On that occasion you met Mr. Wells with Mr. Stevenson?—A. I think I first met Mr. Stevenson and then I met Mr. Wells the next day.

By the Chairman:

Q. Have you any knowledge either as a policy-holder or as an attorney in the case of the charges made against the Mutual Reserve to the Insurance Department of New York?—A. I have all knowledge of the charges made. I represented Mr. Wells and Stevenson and drew the brief and filed it before the department.

Q. Are you in a position to say whether those charges were examined into by the department or not?—A. The department told me they were.

Q. Do you know if they were?—A. I have only the department's word for it, or the representative. I did not see them actually looking at the books or the vouchers.

Q. Did you ever see any documents containing the evidence of that investigation? Did you ever see any documentary evidence of the investigation into these charges?—A. I have seen various memorandums that were submitted to the department, and I saw them submitted, and submitted some of them myself, having been put into my hands for that purpose, and I talked with two members of the department, the Superintendent, Mr. Payne, and a Mr. Hunter, who I believe, did a large part of the examining, Mr. Robert Hunter. He is one of the deputies, the first deputy. I simply remember his name, and remember the fact that he was examining, and from time to time I was in his office and heard his expression of opinion in regard to the matter as the examination progressed. I gathered from those expressions that he was examining into these charges that were filed by me.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You said you were a relative of Mr. Stevenson?—A. I am. I am his brother-in-law. I married his sister.

By the Hon. Mr. Béique:

Q. When you met Mr. Eldridge with Mr. Stevenson in New York he asked you to accompany him?—A. Yes.

Q. To Mr. Eldridge's office?—A. Yes.

Q. Were you made aware before what was the object in view?—A. I had no idea what was the object of it, nor apparently had Stevenson. I asked him 'What does he want to see you about?' and he says 'I don't know any more than you do.'

Q. He wanted you to be along with him?—A. Yes, I was his representative and legal advisor and friend.

Q. He was on good terms with Eldridge?—A. Yes.

Q. And an employee of the company?—A. Well, at that time he had put in his resignation asking that it take effect immediately, so that he was not then an officer of the company.

Q. Had his resignation taken effect?—A. Yes, I delivered it myself, and asked that it take effect immediately.

Q. Had he left the premises?—A. Yes, he had left and had gone back to pay an assessment on his own policy—for some such purpose as that.

Q. Was it previous to that he had sent in his resignation?—A. A day or two after his resignation, I think it was. I will not be positive, but I rather think Mr. Eldridge is in error about that.

Q. At any rate we have it on record?—A. At any rate at the time of this interview the resignation was in, and I drew it myself, and it was to take effect immediately, and I myself turned over the keys.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Then the interview was a friendly one?—A. Yes, absolutely.

Q. You knew Eldridge?—A. Yes, just as friendly as I interviewed Mr. Eldridge a few minutes ago.

Q. You were speaking to him?—A. Yes, I was always on speaking terms with Mr. Eldridge, and I always spoke to him.

Q. You were friendly then?—A. Yes, no reason in the world why I should not be on friendly terms with Mr. Eldridge. I disagreed on some matters with Mr. Eldridge, but that is a privilege that every one has.

J. THOMSON PATERSON, examination resumed:—

WITNESS.—I want to make a statement for the information of the Committee before I proceed. Inasmuch as an attempt was made this morning to show that I was actuated by improper motives in publishing my criticisms of the Mutual Reserve Fund Life Association in the 'Counselor,' due to the discontinuance of their advertisement, I should like to read just a short letter appearing on that subject addressed to me by one of the directors, Mr. Hilliary Bell, and the gentleman who has charge of the advertising department, dated July 1.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Have you the letter?—A. This is a certified copy.

By the Chairman:

Q. Is it a letter you received?—A. Yes, it is addressed to me.

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Q. Are you able to swear it is the same as the original?—A. I have positively sworn to it that that is the case.

Mr. Geoffrion objects to the reception of this letter.

WITNESS.—I may also add that the Mutual Reserve Fund Life Association made an attempt to buy the editorial columns of my paper, paying for it, and I refused to comply. This letter reads:—

For identification, July 14, 1904.

‘ July 1, 1898.

‘ DEAR SIR,—I have received instructions from the executive committee to change my system of advertising for the Mutual Reserve Fund Life Association, as each advertising contract expires. Our contract with the “Insurance Counselor” terminates on July 1, as you will observe by referring to the original document. In obedience to my instructions from the committee, I herewith request you to withdraw the card of the Mutual Reserve Fund Life Association from your columns, and give us instead a reading notice once a month for the same amount of money. A contract on the new system adopted by this company I now inclose. You will observe that by this change our friends on the insurance press will receive as much consideration as before from this department, while we shall have a service much more valuable to our agency force. It will be just as much money to you for the year, and much better aid to us in publicity. I am making this change in all the insurance journals as their contracts expire, and the editors approve the new system unanimously.

‘ Of course you know that in this company there is such a variety of experiences, incidents and successes, that the Mutual Reserve, beyond all other insurance organizations, offers a chance for fine writing on the part of its friends. We do not necessarily want long articles about the company, but a review of our progress, whether written in extenso or briefly, will be much more valuable to us than the mere publication of our card of the advertising columns.

‘ Kindly notify me of your receipt and acceptance of this contract, and believe me to be,

‘ Yours very truly,

(Signed) ‘ HILLIARY BELL.’

‘ That deponent on or about the same day received a contract from the said association, in the shape of a letter, a copy of which is hereto annexed, and marked “B.” and made a part of this affidavit, providing for the use of said editorial advertising at the rate of \$50 per reading notice.’

EXHIBIT ‘B.’

‘ July 1, 1898.

‘ DEAR SIR,—You are hereby authorized to publish the first of a series of reading notices concerning the Mutual Reserve Fund Life Association in the “Insurance Counselor,” in the issue of July, 1898, unless this order is revoked thereto. The Mutual Reserve Fund Life Association will pay for each month’s publication, made pursuant to this order, and before such revocation, if any, the sum of fifty dollars (\$50), after reading notice has appeared, with evidence produced.

‘ Yours very truly,

(Signed) ‘ HILLIARY BELL.’

‘ That subsequent to the receipt of the said letter and contract, deponent called on Hilliary Bell, manager of the advertising department of said association, and absolutely refused to sell his editorial columns, whereupon said Bell stated that the association would be obliged to discontinue its advertising in the “Insurance Counselor”.’

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'That upon the absolute and unequivocal refusal of deponent to accept the proposition made by said association, the said Bell requested deponent to write him a letter stating his reason for declining to accept the proposition of said association.

'That on or about the same day upon which deponent had the conversation with said Bell stated above, and before there had been opportunity to write such a letter as requested, deponent received from the said Bell a letter, a copy of which is hereto annexed, marked "C," and made a part of this affidavit, requesting deponent to call upon him before writing the promised letter.'

I did not write Mr. Bell, he being just across the street corner, I stepped into the offices of the Mutual Reserve Fund Life Association, saw Mr. Bell, and discussed the question with him and called attention to the fact that in the first place that contract implied that if the reading notice was satisfactory to the company the \$50 would be paid, otherwise it might not be paid. And, in the second place, I would not sell my editorial columns to anybody for any money, and if that action on the part of the committee was final, the trial must be withdrawn, and he asked me to write a letter to him as chairman of the advertising committee, which I promised to do, and before I had written that letter he himself had communicated with me in a few lines as follows:—

'August 1, 1898.

'DEAR MR. PATERSON,—Before you bother your brains writing that promised letter, come in to see me. I am afraid you do not exactly understand what I meant in the new contract.

'Ever yours sincerely,
(Signed) 'HILLIARY BELL.'

On February 6, I received the following letter and contract from the Mutual Reserve Fund Life Association:—

'NEW YORK, February 6, 1899.

'DEAR SIR,—I beg to inclose herewith copy of the card selected for our advertisement for the year 1899. Will you kindly give it the same space at the same rates as charged during the year 1898, and continue it until further orders from this office.

'With kindest regards and best wishes for the success of your excellent journal, I remain,

'Ever sincerely yours,
(Signed) . 'HILLIARY BELL.'

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Before adjourning, I had just asked you to give me in the circulars of the association and in its reports to the several governments to which it has to report, the evidence that you state you can find therein contained of your claim that the members of the fifteen-year class were made alone to pay for any death losses occurring in that class?—A. I think I learned it first in the report by George D. Eldridge, chairman of the executive committee, Mutual Reserve Fund Life Association, made to the nineteenth annual meeting, January 24, 1900, in which I find the following tables and reading matter connected with it.

By the Hon. Mr. Béique:

Q. Shortly what is it?—A. Tables showing the amount contributed by the fifteen-year class up to a certain time, and the business other than fifteen-year class, and the amount contributed up to a given time by the fifteen-year class, the amount paid and so on.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. To make it as short as possible, will you please leave that document for identification here?—A. Yes.

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Q. And the pages where you find that statement are?—A. Pages 8, 9 and 11.

Q. Those are the pages where you find evidence in support of your statement?—A. I wish to put myself perfectly clear and correct; evidence on which, along with other evidence that I gathered at the same time, that made the impression on me the members of the fifteen-year class had been separated into a class by themselves.

Q. Then it was a mere impression?—A. I was not aware that I testified to anything else. I am aware now they have been separated into separate classes.

Q. I should like to have the evidence which you possess. If it is mere impression I should not take up the time of the Committee questioning you, but I should like to have the evidence on which you state that as a fact?—A. I have not the evidence of any one stating that the members have been separated into separate classes, but I have seen letters and literature, which have thoroughly convinced me that that is the case.

Q. From whom are the letters?—A. A letter written by the company, if I collect them.

Q. Can you show me the letters?—A. I have not the letters.

Q. Then you cannot show us in any way whatever or give us any means of tracing the printed or written statements on which you rely to make that statement as a certainty. You cannot give it to us?—A. I have not them here.

Q. You are absolutely unable to say to us, apart from this document, where there has been given out statements by or on behalf of the company to that effect? It is very important I should know it if you can give it?—A. I must acknowledge at the moment I do not recall—

By the Hon. Mr. Wilson:

Q. You state positively you have seen papers of that nature?—A. That I have seen papers that made that impression upon me. I do not wish to testify to anything else. It is given for what it is worth. That is my impression.

Q. That is a fact that could be verified by investigating in the books of the association?—A. That is right.

Q. Otherwise it is practically impossible to know; to have anything much more than an impression?—A. The very fact that the members of the fifteen-year class were increased from time to time, and the members of the other and newer class were not increased, separates them into a class in a certain sense, in my opinion.

Q. It is impossible to have more than an impression?—A. But I think it is right.

Q. Have you here the by-laws, constitution and rules for the admission of members into the Bankers' Association? You know the association I am speaking of?—A. I have not.

Q. Did you ever have them?—A. I never did.

Q. You are not insured in that association?—A. I am not.

Q. Can you quote any other company, or association to your knowledge which has attained any result or record approaching that one from the point of view of ratio of expense to insurance in force?—A. Yes, the Royal Arcanum is still lower.

Q. That is a fraternal association?—A. Yes.

Q. Where is the head office?—A. In Boston, Mass.—over thirty years in existence now.

Q. You have nothing else to quote?—A. I am not here to advertise, but I think the Independent Order of Foresters would also compare very favourably with the Bankers'.

Q. That is another fraternal institution. Apart from that you cannot quote any?—A. I do not think there is any.

Q. You cannot quote any company, which is not a fraternal order, which approaches that record?—A. I am not going to give testimony on things I have not made any investigation of.

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Q. You cannot quote any?—A. I cannot quote any and have not made an effort to do so.

Q. I have but one letter to submit to you. It is a copy of a letter dated New York, October 30, 1895, signed by you, I understand?—A. That is not my signature. It is my signature by a stamp. I had a large number of letters to sign every day, and in order to facilitate the matter we had a rubber stamp with my autograph.

Q. Look at this letter, October 30, 1895, purporting to be signed by you, addressed to Mr. David R. Hyde, and say whether that is the letter that was sent?—A. I recognize that as the letter in my letter book.

Q. I find this extract which I wish to put in evidence:—

‘We have no objection whatever to your writing the members of the committee which waited upon the president, viz.: Messrs E. Randolph Taylor, James D. A. Avery, and J. M. Beers, but if you do so they would in all probability refer your letter to us, as they have no time to conduct a correspondence with policy-holders. What they stated over their signature, they are undoubtedly prepared to stand by.’—A. It is correct, but if that extract goes in I will request that the whole letter be filed. The letter reads as follows:—

NEW YORK, October 30, 1895.

MR. DAVID R. HYDE,
P.O. Box 55,
Middleburg, N.Y.

DEAR SIR,—Your favour of the 28th inst. came duly to hand, and we regret to learn that notwithstanding the fact that several letters have been written to you, you are still unable to see the reasonableness of the reapportionment of rates as per Mortuary Call No. 81. I am inclosing you a small pamphlet containing a full explanation which you may have already seen, but I would suggest that you read it carefully as it contains information which, in my humble opinion, ought to convince any one that the action of the board of directors was a wise one, and in the best interests of the association.

I note what you say in reference to Mr. Doll, and call your attention to the fact that he is undoubtedly a much younger man than you are, and consequently pays a very much lower premium. To show what I mean, the expectation of life, according to the mortality tables at age 30 is over 35 years, whereas at 65 it is only a little over 11 years, showing that if the two men are to pay the same amount, within the expectation of life, the older man must pay three times as much each year as the younger one does. This is the basis upon which premiums are constructed.

All who insured in the association prior to 1890 have had their rates increased, and Mr. Doll's rate was increased in the same proportion that yours was. This applies to the increases which took place prior to the last reapportionment. I have carefully read Mr. Doll's letter and do not find wherein he states that his rate was never increased from the date of his policy.

We have no objection whatever to your writing the members of the committee which waited on the president, namely, Messrs. E. Randolph Taylor, James D. A. Avery, and J. M. Beers, but if you do so, they would in all probability refer your letter to us, as they have no time to conduct a correspondence with our policy-holders. What they stated over their signature they are undoubtedly prepared to stand by.

Hoping you will come to see that the best that could be done under the circumstances has been done, I am, with best wishes,

Yours truly,

J. T. PATERSON,
Corresponding Secretary.

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Q. While you were in the employ of the association your duties were not in any way connected with the book-keeping, the financing or the accounting of the association?—A. It was not, except that I had access to all the books.

Q. You never made a general study of the system of book-keeping of the association?—A. I did not.

Q. Could you explain to us the manner of book-keeping and accounting for commissions?—A. I could not—at least I will not undertake to do it, because, as you say, I was not at all acquainted with the manner of book-keeping of the Mutual Reserve.

By the Hon. Mr. Béique:

Q. You are not a book-keeper?—A. Yes, I am acquainted with book-keeping.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You are not acquainted with that book-keeping?—A. No.

Q. You made incidental references to isolated entries?—A. Yes.

Q. You are not in a position to explain in detail the manner in which entries regarding commissions and manner of accounting for commissions were made?—A. I do not know.

Q. These letters that you have just read this evening, to wit, the correspondence composed of a letter of Mr. Hilliary Bell, of July 1, 1898, to you, and the other letters that you read are published in the 'Counselor,' your newspaper, of October, 1900?—A. Yes.

Q. Will you please leave the paper for identification?—A. Yes.

Q. You said that you were a consulting actuary?—A. Yes.

Q. As such you consider you are experienced in those matters?—A. I do.

Q. I will put you some simple questions that I do not attempt to understand myself. Are you acquainted with the Institute of Actuaries text book?—A. I have studied the Actuaries Institute Text Book.

Q. Who is the author, and how does he rank as an actuary?—A. Quite high, first-class.

Q. Who is he?—A. I do not know that I recollect for the moment.

Q. What is the rank, as a body, of the Institute of Actuaries of Great Britain?—A. It ranks very high.

Q. Is the book named the authoritative publication of that body?—A. It is, I believe—I can say it is.

Q. Given a table of mortality and a rate of interest, how would you proceed to find a net level annual premium for life for a given amount of insurance?—A. I do not know whether I can make my answer clear enough that the Committee may understand it or not. There is a regular mathematical formula in connection with that, but I will try to put it in as few words as I can. You add together the whole amount, you take the amount indicated by the mortality table, and divide it by the number of years of the life expectancy at the age given, and with the interest, add the interest to it, and that should be divided by the number of years of expectancy—that should be the net level premiums.

By the Hon. Mr. Béique:

Q. You are familiar with this document which has been placed before the members of the Senate by this company and which has been filed here as Exhibit No. 7. On page 29, of that document I read the following:—

'During the years that the Mutual Reserve has been doing business in Canada, excluding the year 1903, for which the full figures were not available at the time that this computation was made, the Canadian companies that were doing business at the time that the Mutual Reserve entered, or that were organized a very short time afterwards, thus excluding the recently organized companies, whose expenditures would be proportionately greater, have carried for an average term of one year \$3,099,311,000

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of insurance. They have collected as premiums on this \$105,586,228, or an average of \$34.07 per thousand. They have increased their assets in addition to the amount of interest they have received, from the premiums \$28,056,337, or \$9.05 for each \$1,000 of insurance. They have paid to policy-holders \$49,253,435, or \$15.89 per \$1,000, making the payments to policy-holders and the premiums devoted to increase of assets total \$24.94 per \$1,000, *showing that for each \$1,000 of insurance carried for one year, the amount used for expenses has been \$9.13.*

‘During the same period, the Mutual Reserve has carried on the assessment plan Canadian insurance for an average of one year to the amount of \$305,125,875. It has been collected thereon premiums to the amount of \$4,937,223, being for each \$1,000 of insurance carried \$16.18. It has paid to its policy-holders in Canada \$3,061,530, or \$10.03 for each \$1,000. Over and above interest receipts it has added to its assets 54 cents per \$1,000 carried, making the total devoted to the payments to policy-holders and increase of assets, other than interest, \$10.57, *leaving \$5.61 per \$1,000 of insurance carried as the expense of doing business.*’

I suppose you have given some attention to that part of the document?—A. Yes, I have read that document over, and I am thoroughly familiar with it.

Q. You are familiar with the portion that has just been read?—A. Yes.

Q. I suppose, for the purpose of criticising this document, you have examined it, have you not?—A. Well, yes, I think I have, but not as fully as if I were going to criticise it.

Q. I should like to have your criticism of this statement, both as regards the first portion and the last portion, the comparison which is made between the two companies, if you have any criticism?—A. I have a criticism, and wish to state, to start with, that the statement is most misleading and unfair. It takes, for example, young companies, if my recollection is right, just starting on the level premium plan, which, in the first place, collect about double the amount that this company collected for a few years, the first four or five years, up to say about—began in 1886 and I think for about the first ten years the annual income of the Mutual Reserve was very much smaller than the income of these companies. Its business being solely the payment of death losses, whereas these level premium companies charged a level premium averaging about \$30 at age 40, and along with that they did a large amount of endowment business—they did an endowment business, I will not say a large amount—the premium of which was much larger, and limited payment policies and fifteen-year paid up policies. That made the income of these level premium policies much larger than the income of the Mutual Reserve Fund, and, therefore, naturally the Mutual Reserve would return a larger amount out of the money actually paid by the insured than the level premium companies would do, because their endowment policies had not matured; but they were collecting the money and keeping it for the purpose of paying the claim when it matured. To explain that matter better, I would refer to Mr. Eldridge’s manual.

Q. I do not think that is necessary?—A. It is the best explanation that can be given of it. Mr. Eldridge in this manual says that it is not the proper way to arrive at a conclusion as to whether one company is more economically managed than the other. The real and better way is, what is the amount which it costs for management per thousand of insurance furnished.

By Mr. Coster, K.C., Counsel for the Committee:

Q. What is the page of that book?—A. Page 48 of the Agents’ Manual of the Mutual Reserve Fund Life Association, edition 1897.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. This document purports to be based upon all the Canadian companies doing business at the time?—A. Yes.

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Q. Therefore, they did not select any companies; they took all the companies?
—A. It applies to all the life insurance companies.

Q. I understood the first portion of your answer to say that they had selected a certain number of companies which had just started business?—A. I did so answer.

Q. Do you maintain that statement?—A. No, there was a document put in, an exhibit here the other day, and that is what—

Q. Then, you correct your testimony on that?—A. Yes.

Q. They have taken all the Canadian companies, and they have taken the total amounts paid for the purpose of establishing the percentage of expenses?—A. Yes.

Q. And that was fair enough, I suppose?—A. No, it was not fair at all.

Q. It was not fair as far as establishing a comparison with the Mutual Reserve?
—A. It did not prove anything at all.

Q. But the figures are correct?—A. I cannot say.

Q. You have not verified them?—A. No.

Q. Have you verified the other figures as regards the Mutual Reserve?—A. I have not. I have not gone over that document with that view at all.

Q. Because, if the percentage of expense was as stated there, \$5.61 per thousand, it would be low enough, would it not?—A. It was very favourable, but that does not give any indication of what the present rate is. It is the average for the nineteen years.

Q. It is the average for the nineteen years the company has been doing business?
—A. Yes.

Q. And if these figures are correct, it would be very low?—A. Yes.

Q. And compare favourably with the level premium companies?—A. Yes.

Q. You do not know whether these figures are correct?—A. I do not know; I have not verified them.

Q. You have stated you have criticised the company in your insurance paper?
A. Yes.

Q. Have the company been attacked in other insurance papers that you were aware of?—A. There were far more savage attacks made on the Mutual Reserve Fund Life Association in the insurance press of New York than I have ever published.

Q. You were only one of them?—A. One of them.

Q. At what time did you cease to have any interest in the company?—A. About 1900 or 1901.

Q. Sometime shortly after they paid you \$5,000?—A. Yes.

Q. You have not continued to give much attention to them since?—A. I have been forced to give more attention since—no, not very much attention since.

Q. What do you mean by not very much?—A. Oh, I have paid no attention to them.

Q. What kind of attention?—A. If I saw anything about them or heard anything about them—

Q. You have not troubled yourself much?—A. No.

Q. Since you have ceased to be a policy-holder, you have not followed the business much?—A. No.

Q. You have heard of them, but you have given no attention to their business?
—A. Yes, I have examined the official reports made from time to time.

Q. For what purpose?—A. To see how the thing was getting on.

Q. For mere curiosity?—A. For my own information.

Q. As a matter of curiosity?—A. And I have been consulted and written to from time to time by members of the association.

Q. Anything else?—A. Yes, consulted by widows having large claims against them.

Q. Have you written articles regarding them?—A. No, not since.

Q. In no paper?—A. In no paper that I am aware of.

Q. Could you name anybody for whom you acted who was interested in the company?—A. A widow by the name of Sprague consulted me in reference to a claim.

Q. Her husband, I suppose?—A. Her husband was dead. I think I have the papers here.

By the Hon. Mr. Wilson:

Q. Do you pretend to say that you have not kept a fair record of the doings of the New York Mutual since?—A. I think I have kept fairly familiar with it in so far as its standing as a company is concerned, to the official reports and otherwise.

Q. And the various parties consulting you in reference to the stability of the company or the likelihood of their ever getting anything out of the company. I suppose you have been consulted that way?—A. Quite frequently.

Q. And, therefore, you have kept a good, fair knowledge of the working of that company since you ceased to have any connection with it?—A. I have.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What is meant in science by a commutation column?—A. It is a column which enables you to commute the figures or the rates of life insurance companies or the values of life insurance risks.

Q. What figures, rates or values? What do you mean by that?—A. I mean the figures given in the commutation table which enable you to arrive at the result, the net premium and other calculations.

By the Hon. Mr. Béique:

Q. Standard tables?—A. Yes.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. That is your complete answer on the last point?—A. That is the answer.

Q. I asked you the question a few minutes ago; given a table of mortality and a rate of interest, how would you proceed to find a net level annual premium for life for a given amount of insurance? You have answered that question, and I want to put another question; would it be necessary for that purpose to construct commutation columns?—A. You could do it without constructing commutation columns if you wanted to go the wrong way about it.

Q. If you wanted to construct commutation columns, how would you proceed to construct column D?—A. I should like to state that I did not come here with the intention of being put through an examination as to my standing as an actuary and as to my abilities in that direction. I came here at the request of this Committee to give evidence on matters relating to the Mutual Reserve Fund Life Association, and matters other than my mathematical knowledge or my knowledge of actuarial tables, or the mode by which I arrive at commutation tables, or net values or reserve values, and if this examination is to proceed in this direction it is but fair to me to give me an opportunity to prepare myself and answer it.

Q. If you say you require time to make your answer, just say so?—A. I am aware that I am down on record in this matter, and I do not wish myself to be placed in an unfair position.

Q. How would you proceed to construct column D.?—A. I decline to answer or to undergo any examination along this line until I have had time to prepare for it.

Q. How column N., English notation?—A. Same answer.

Q. How column F.?—A. Same answer.

Q. How column C.?—A. Same answer. To make an intelligent answer to those questions and put it down on the record so that it would read properly requires a little time, and I reserve the right, if I am to be examined along that line, to prepare myself.

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Q. Can you give answers that would not read absolutely properly? Yes, or no?
—A. I have no answer to give. I should like to make a statement that I am under oath, that I was requested by the Mutual Reserve to make a table of rates for the joint lives, which table I made in 1889, and for which they paid me \$250.

Q. Who is the person who asked you on behalf of the Mutual Reserve?—A. President Burnham's private secretary.

Q. What is his name?—A. Mr. Johnston, and I wish it strictly understood that my objections to answering these questions is that they are technical questions, and I have not given any attention whatever to the answers which should be made to them, and which, to have them appear on the record intelligently, and in good English—if I would attempt to make these answers to-night without having previously studied the questions, it would not appear very much to my credit.

Q. The English would be bad. How column 6?—A. Same answer.

Q. How column M.?—A. Same answer.

Q. How column R.?—A. Same answer.

By the Hon. Mr. Sullivan:

Q. Supposing a population of 4,000 people had an epidemic of cholera and there were no doctors there, how much would you raise the rates?—(No answer.)

By the Hon. Mr. Wilson:

Q. Do you think it is essential that you should be able to answer those questions to be an expert?—A. Not at all.

Q. They are only technical catch questions?—A. No, they are questions bearing on actuarial science all right, and relate to actuarial science.

By the Hon. Mr. Béique:

Q. Questions which an actuary well versed would be expected to be able to answer?
—A. I cannot say off-hand.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Speaking about the Sprague widow case, what was that case?—A. It was a widow by the name of Sprague, whose residence was in Brooklyn, New York, came to me in connection with a claim she had. The policy was for \$1,500, and the company sent her a letter saying they had approved of the claim for—I have not the exact figures—something under \$600. There was a lien against the policy of some \$381, annual premium some \$87, and for extra mortality some \$300, reducing the \$1,500 down to something less than \$600.

Q. What did they pay her?—A. In the neighbourhood of \$600.

Q. When were the liens put on?—A. I could give you the name and number of the policies.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Please give the name in full of the insured, address of insured, and number of policy.—A. Policy 137,678; the name is John D. Sprague, 66 William Avenue, Brooklyn, New York, January 10, 1901.

Q. Was it not a North-western policy?—A. It was.

Hon. Mr. BÉIQUE.—Is that your last witness, Mr. Coster?

Mr. COSTER.—I do not know of any other witness at present.

Hon. Mr. BÉIQUE.—I move that it be intimated that no further witnesses will be examined in support of the charges, and that a day be fixed for the examination of witnesses on behalf of the Mutual Reserve.

Hon. Mr. GIBSON.—I move that the Committee adjourn until Tuesday next.

The motion was agreed to and the Committee adjourned.

PATTERSON

OTTAWA, July 18, 1904.

The Committee resumed at 8.15.

Mr. Geoffrion, Counsel for the Mutual Reserve, applied to the Committee for an order for the attendance of Mr. Thomas Bradshaw, an actuary in the Imperial Life Assurance Company, of Toronto.

The Committee agreed to sanction the order.

Hon. Mr. McMULLEN.—A letter was referred to by counsel for the Mutual Reserve, alleged to have been written by the witness, Paterson, to the Crown Attorney of New York, with reference to stopping publication of the 'Counselor' if the prosecution were dropped. They have had ample time to produce that letter, and I think it should be produced before Mr. Paterson's evidence is closed.

Mr. GEOFFRION.—We have sent to New York to obtain the letter, but the messenger has not yet returned.

Hon. Mr. PELLETIER.—In the meantime I move that the witness be discharged. I object to his being paid while he is no longer a witness for the Committee.

The motion was lost on division.

GEORGE D. ELDRIDGE, Vice-President and Actuary of the Mutual Reserve Fund Life Association, was recalled, sworn, and examined as follows:—

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You have already been examined in this case. You are the vice-president and actuary of the association?—A. Yes.

Q. You have heard the statement made by Mr. Paterson to the effect that the policy-holders known as the fifteen-year class had been, towards 1897 or 1898, I don't know which, put into a class with this effect, that they were to pay alone for death losses occurring in their class, have you heard that statement?—A. I have.

Q. What have you to say concerning that?—A. There has never been any action of the association placing them in a class by themselves compelling them to pay their own losses, and that they have not, as a matter of fact, been placed in a class for that purpose.

Q. Whenever a loss occurs in the fifteen-year class among whom is the apportionment made?—A. Among all the members of the company.

Q. All the members on the assessment system?—A. No, all the members of the company. There is no division, so far as paying death losses is concerned, between the different members of the company, but all must contribute their share towards the payment of the current death losses on the basis of the insurance that they are carrying.

Q. It has always been that?—A. It has always been that.

By the Chairman:

Q. That is indiscriminately?—A. Yes, without regard to class.

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By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You are positive as to that?—A. I am.

Q. That point has arisen in litigation, has it not?—A. It has arisen in litigation in this country, in England, France, Belgium and Sweden.

Q. It has always been decided that way?—A. Yes.

Q. Could this fact be verified by the books of the association?—A. It could. My own report, which I think has been filed here as an exhibit, shows conclusively the same thing. It was filed by Paterson—the report that I made to the executive committee.

Q. You mean the report which he filed in support of his statement to the effect that the impression— A. It was my report to the annual meeting in January, 1900.

Q. You mean the little book which he filed as being the basis from which he had taken that impression?—A. Yes. It is the duplicate of this which I hold in my hand.

Q. Is this it?—A. This is it. It is marked for identification, pages 9 and 11. It is made to the annual meeting. I reported to the annual meeting, as chairman of the executive committee, on January 29, 1900. On page 8 will be found a statement showing the mortuary payments which have been made by the fifteen-year class up to December 31, 1897, the interest on any accumulations, the charges against the members by reason of death claims paid and so forth, and showing on that date a surplus payment of \$211,722.98, but with total obligations outstanding against the class of \$1,164,599.74, showing that the amount of benefits then received by the class exceeded the payments made by the class by \$852,876.76. This, I may say, was verified by the official examiner of the New York Insurance Department, who made the examination in 1898. It then shows the results at the end of the year, December 31, 1899, that at that time the benefits received exceeded the payments made by \$768,613.24 with outstanding obligations of \$764,197.42, showing that the excess of benefits over payments had increased during the two years from \$852,876.76 to \$1,532,810.66, the difference being the benefit that the class had received during those two years from the general membership of the company, and that condition of affairs has continued since, the fifteen-year class receiving the benefits constantly in excess of the payments made to the company.

Q. By that class?—A. By that class.

Q. In other words they are contributing since 1895 all the time less than they received?—A. Yes, as they ought to.

Q. It shows that they are not treated as a separate class?—A. Yes.

By the Hon. Mr. Sullivan:

Q. Where would those benefits be derived from?—A. From the general membership of the company.

Q. Of the whole company?—A. Yes.

Q. They as a class received the whole benefit of the whole company?—A. Yes.

Q. Not of their own class only?—A. No.

Q. And you say that the benefits they received were in excess of the payments they made under the assessments?—A. Yes.

Q. On each individual member?—A. On the membership as a class; that is the benefits paid to the beneficiaries of members of that class exceeded the payments.

Q. You mean by reason of deaths?—A. Yes, by reason of deaths.

Q. And did they receive more at death under the agreement than they were entitled to?—A. No, they received more at death than they were contributing in assessments to the general assessments of the company.

Q. So that that would end in ruin to the company?—A. No.

Q. If you are paying out more than you got from the people?—A. If it were so from all the members it would certainly end in ruin.

Q. It only benefited that one class?—A. Yes.

Q. Why were they placed in that favoured position?—A. They are not placed in any favoured position. They are members of the entire company, and the death losses of the entire company must be based upon the mortality among the entire company; but at this time the death losses occurring amongst that class is in excess of the assessments levied on that class, and all members must join in the—

Q. That class was not favoured more than any other class. I thought you said it was. I thought you said they received benefits more than they paid in to assessments?—A. Yes.

Q. You said that that was not shared in by all the classes, as I understand it?—A. What I say is that the cost of carrying insurance is assessed the same against one who is a member of one class as against a member of the other class who is of the same age and carrying the same amount of insurance at the time.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. I understand the fifteen-year class, speaking generally, is composed of the older members of the association?—A. There has ceased to be any business written upon the plan known as the fifteen-year plan since about 1892 or 1893, and, naturally, if you isolate that membership by itself, in the remnant of it the death rate is greater than it is in the general membership of the company, but it is a part of the company and the cost of the insurance is gauged by the entire membership of the company and not by that in any one class, and if at the present time that class is getting the benefit—

By the Hon. Mr. Sullivan:

Q. When did you make those classes?—A. The distinction in classes is simply in effect the distinction of forms of policies and just for the convenience of enumerating the different forms of policies. All policies issued up to 1890, about July, 1890, were on what is known as the fifteen-year class. Then in 1890 there was introduced the ten-year form of policy, and that was issued conjointly with the fifteen-year form for two or three years until gradually the fifteen-year form dropped out of use.

By the Hon. Mr. Wilson:

Q. There was a question asked by Mr. Geoffrion, were the fifteen-year class among the older members?—A. They were among the oldest members of the company.

Q. You mean to say the longest in the society or the oldest in age?—A. Well, they are the youngest in the society and probably their age averages the highest on any of the classes.

Q. But you are not sure?—A. I have not examined it recently to the exact determination, but I have no question that their ages average greater.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What I wanted was something with reference to the statement that Mr. Paterson made, which was the impression that he gathered from circulars of the association, that statement to the effect that the fifteen-year class in which you did not admit any more members had to support its own death losses is not correct?—A. The impression is incorrect.

Q. And that can be verified by the books of the association?—A. Yes.

Q. You have been previously examined, I understand, on the liens of the association, but Mr. Paterson again referred to those liens and objected to the fact of the liens being put as assets of the association or of the company. Will you please give a short and concise explanation of that point?—A. The only liens that are treated as assets are regular notes or certificates of liens signed by the individual member who has surrendered his assessment policy and taken a policy with a fixed and level premium.

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Q. In exchange?—A. In exchange for the original policy. In those cases the premium rate fixed and levied is determined by his original age of entry, and he, having contributed nothing towards the reserve of the company that would be required of that policy that had been in force the number of years that his policy has been in force, has the option to pay either the cash equal to the reserve required under the policy or else to give his interest-bearing note therefor. Every one of those policies has a guaranteed cash or loan value in event of surrender, and in no instance is that note admitted as an asset in excess of the reserve that is charged against the company on account of that policy, or in excess of the cash value that can be drawn from the association in event of the surrender of policy. Any liens that may exist against the assessment policies are not carried as assets, and none of them have ever been carried as assets. Identically the same condition exists in many companies, and instead of this, as has been stated, being a thing peculiar to the Mutual Reserve, there are many companies that have identically the same thing, and they are admitted as assets. These particular liens have been returned as assets to all the departments to which this company report, and accompanying in the report the reserve against those policies has been charged as a liability. So long as this company was an assessment company, the New York Insurance Department ruled that it had no authority to charge as a liability against the company the reserve on these policies, and because of that it directed the company to exclude the amount of reserve from the liabilities, and also the liens from the assets and necessarily from the income and the expenditures. With the exception of the State of New York, no objection has ever been raised to these liens as assets, excepting in the State of Massachusetts. When they were first returned to the State of Massachusetts, they were accepted as assets and carried into the report as such, and the corresponding liability was charged against the company. Subsequently, however, the year following the first return of them, the Insurance Commissioner of Massachusetts obtained an *ex parte* opinion from the Attorney General of the State that they should not be admitted as assets, and the reserve should not be charged as liabilities, and, accordingly, that year, he excluded them from the report. After this ruling was made public, an appeal was made to the Attorney General of Massachusetts to rehear the matter, which he did, and on the rehearing he decided that they were assets, and directed the insurance commissioner to admit them as assets and to charge the company with the corresponding liability. Upon the reincorporation of the company, it becoming a legal reserve company, under the law of New York, then the insurance superintendent was directed by the law to charge the reserve as a liability and at that time he admitted the liens as assets, because the corresponding liability was charged.

Q. Every lien which was entered as an asset is a lien evidenced by a note of the insured?—A. Yes.

Q. And is a lien on the level premium policy, on which you are bound to have a reserve?—A. Yes.

Q. And the legal reserve is charged as a liability?—A. Yes.

Q. And in New York and everywhere they are admitted as assets?—A. Yes.

Q. And if you remove them as assets, you would have to remove a corresponding amount as legal reserve?—A. Yes.

Q. So it would not affect the balance?—A. No.

Q. You were admitted as a legal reserve company a few years prior to being admitted as such in New York?—A. On the 11th August, 1892, and we were not treated as a level premium company in New York until the 17th April, 1902.

Q. And for a few years you claimed those liens as assets in Canada, when you did not have them as such in New York?—A. So far as the liens existed in Canada, we were obliged to return them in our report as assets to the Canadian department as Canadian business. That being the case, and it presenting itself to us, being a legal reserve company under the law and an assessment company in New York, on the return to the Canadian department and our report in the form required by the

New York department, it included in the income expenditures and assets these liens as assets, and charged the company in the liabilities with the reserve as a liability ; but to every such report I appended a note calling the superintendent's attention to the fact that the New York department, having no authority to charge the assessment company with the reserve each year, ruled that that item could not appear in the liabilities, and, consequently, that the liens could not appear in the assets expenditure or income, and I submitted this report to the superintendent with this note appended, so that if, in his opinion, a different report was required under a law of Canada, he would notify me and I would submit such amended report as was required, and I might say here that this matter explains the discrepancies that appeared between the published report of the company as regards its general business in Canada, and the published report in the New York Insurance Department.

Q. This note is the one which was read to Mr. Paterson by the Hon. Senator Béique?—A. It is.

Q. The original of that notice was here the other day, and it is here yet?—A. I presume it is, and it was appended to all the reports that contained that difference. Moreover, I may say that, in submitting this amended report, which excluded these items, to New York, from the report, I accompanied every report by a statement that the report was made under the ruling of the department, stating what items were excluded from the different schedules, and asking that such statement be received as a part of the report, so that, if in future years there should come up a question, when the circumstances were forgotten, the document would be on file to explain just why the discrepancies occurred.

By the Hon. Mr. Lougheed:

Q. Was that by a separate document, or upon the face of the report?—A. It was a typewritten document appended to the report.

Q. And that explains the discrepancy?—A. That explains every item that was excluded under the ruling of the department in New York. Those are the three reports on which the differences occur. I have my letters to the department here.

By Mr. Coster, K.C., Counsel for the Committee :

Q. It is not attached to the certificate in this report we have here?—A. I do not know how it is. I know it accompanied the report to the New York department, and I know the letters were sent to the department in New York.

Q. Are these certified copies?—A. Yes. There are two certified copies. I think there is one not certified; but I know as a fact that those letters accompanied several reports.

Q. Was that fastened on it, when you got it from the department?—A. Yes. Independent of the question whether they were attached to the copies, I testify that those were copies of letters that accompanied the several reports to the New York Insurance Department.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. You sent the letter as you say?—A. Yes. I saw that they were sent to the department in each instance.

By the Chairman :

Q. Were they sent after the report, or how?—A. They were sent with the report.

Q. Pasted on, as it appears here?—A. Yes.

Q. It is very strange, the New York department would not give us a certified copy?—A. That, I do not know about.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. This copy of the letter is certified also?—A. It could easily be pasted on

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after the certification took place. It is a physical possibility without any trouble whatever that it should be done, but waiving all that question, I know that that letter went in each several case.

Q. You sent the letter?—A. Yes.

Q. You do not know what they did with it there?—A. I received an acknowledgment of the letter in each case. Beyond that, I do not know.

By the Hon. Mr. Landry :

Q. When are those copies sent?—A. The same time the report is sent.

Q. When is the report sent?—A. The report is sent each year, within sixty days after the first of January.

By the Hon. Mr. Béique :

Q. I understand that the copies of the New York report which were sent to the Insurance Department in Canada, contain this information?—A. It does not contain these particular letters. It contains a note—every one of them that contains those discrepancies.

By the Chairman :

Q. Then the letter does not form a part of the report itself?—A. It does not form a part of the report that was submitted to the Canadian department. You will find in each one of those, I asked the Superintendent of Insurance of New York to consider that as a part of the report for the purpose of explaining the difference, and I have no question that if you wrote to him, and asked him for the letters accompanying the report at the same time, that he would produce those letters. I do not mean to swear that those letters were pasted to the New York report. I mean to swear that they accompanied the New York report in each particular case.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. With the request to make them part of the report?—A. With the request to make them part of it. This is the letter of March 2, 1900, and reads as follows:—
'I have to ask you that this letter may be considered as a part of our official return to your department, and as such filed with the amended annual statement as set forth in the blank furnished by your department. I think you will recognize the justice of this request, as at some subsequent date, questions might arise when the details of this transaction were not fresh in the memory of the officials of the department, and as I have, in compliance with your ruling, sworn to this report as correct, although it omits certain items carried in our ledger, on December 31, 1899, as ledger assets, it seems but a fair precaution that the record should be made entire on the official files of your department. I shall, to that end, attach a copy of this letter to the copy of the amended report, which we retain as a portion of our records in our office.'

I have no doubt if you ask the Insurance Department of New York to return a certified copy of that letter, they would do so.

Q. Mr. Paterson has referred to an item of actuarial expenses, and he seemed to be under the impression that those actuarial expenses must include your salary, as actuary. Is that correct?—A. The actuarial expenses do include my salary as actuary of the association.

Q. You have the salary as vice-president, and one as actuary?—A. Yes.

Q. As president you are an officer of the association?—A. Yes, I am.

Q. Is the actuary an officer of the association?—A. No, he is an employee of the association.

Q. Do the names of the officers appear in the constitution?—A. Yes.

Q. Have you a copy of the constitution?—A. Yes.

Q. As a matter of fact, the actuary is not mentioned among the officers.?—A. No.

Q. And the vice-president is?—A. Yes.

Mr. COSTER objects.

WITNESS.—I say that included in the actuarial expenses is my salary, as actuary of the company. In my statement to the Committee, which I am to render, of the salaries paid, year by year, in order to make the matter complete, I shall include in the outgo, my salary as outgo, so that every dollar that is paid to any man that is an officer of the company in any year, will appear on the outgo that will be given in that schedule.

Q. For the purpose of that schedule which you are to file, of the total salaries of the officers, you will treat the actuary as an officer?—A. I shall include his compensation in the payments made.

By the Hon. Mr. Sullivan:

Q. Will you put them separately?—A. I am to give the total paid to the officers of the company.

Mr. COSTER, K.C.—I submit, that if he gives part of the evidence, he should give the whole of it.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. I do not understand that every cent of those actuarial expenses are your salary as actuary?—A. Not by any manner of means. I wish it were.

Q. Then in volume 4, page 68, your statement that the amount entered in the report under the head of salaries to officers, included all compensation to officers, included under the head of officers was not incorrect, as Mr. Paterson seemed to believe?—A. It was not, as I understood the question, and the facts that existed in regard to the named officers of the company.

By the Hon. Mr. Sullivan:

Q. What would be the actuarial duties, and what would be the staff which you had?—A. The duties of the actuary are to compute the rates of premium, to adjust the cost of insurance, to determine the reserves held against the various policies, to adjust the share of surplus, to determine whether the different classes of members are paying their fair cost of the insurance, and within the last three or four years, it has been in general the work of adjusting the business of an assessment company, of a company that has been conducted for a large number of years as an assessment company, to the requirements and demand of a company based upon the legal reserve requirements of the law of New York.

Q. He has nothing to do with income and expenditure and general affairs of the company?—A. He has not anything to do with those.

Q. He simply confines himself to ascertaining, by his peculiar skill as an actuary, the rate each man ought to pay according to his age, and other affairs connected with insurance—this expert business. It is something ordinary men could not undertake?—A. It is in a certain degree, the work of an expert. I think some very ordinary men do undertake it, but it is supposed to require some peculiar training.

Q. Are you an actuary by the right of any academy?—A. By the right of no academy.

Q. You know there are such societies of actuaries?—A. I know there has existed in the United States within the last twelve years, a society of actuaries. Prior to that there was no society. There was none in Great Britain.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. As to the increase in actuarial expenses during the last year, as has been pointed out, have the great difficulties under which the association has been labouring during the last few years, compelled you to increase the actuarial expenses?—A. They

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necessarily called for the incurring of actuarial expenses, that would not have been incurred in a company that had none of these questions to deal with, and they called for the incurring of a great many actuarial expenses that would have been avoided, had the company had some actuarial advice in the early years of its history, which it unfortunately was deficient in. The adjustment of a business that had been conducted as this business had been, without expert direction, or knowledge of mathematics of insurance on a scientific basis, called for the very best advice and counsel that could be had, and necessitated the expending of money for that purpose, which could not be avoided if the affairs of the company were properly conducted, and the adjustment and reincorporation as an old-line company, called for additional actuarial expenses that could not be avoided.

Q. You have had occasion to consult consulting actuaries, I suppose?—A. I have repeatedly. I would not venture on such problems as confronted me, without obtaining the best advice I possibly could, of an expert nature, to guide my course.

Q. Are you not a member of some associations of actuaries?—A. I am not.

By the Hon. Mr. Robertson:

Q. How long have you been acting actuary of the company?—A. I have been actuary of the company since the latter end of 1895.

By the Chairman:

Q. Was this before there was a school established in the United States?—A. My impression is that the actuarial society was established about thirteen years ago, but it would be practically an impossibility for a man who had been identified with assessment insurance, and had practised as an assessment actuary to obtain admission to the American Society of Actuaries, and I have never applied for that admission.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Mr. Burnham, the president of the association, is in England?—A. Yes, he is.

Q. He left on the 25th of the last month?—A. Yes.

Q. You were to go?—A. I was to go to England on account of the Foster case, and had my passage engaged, and on account of this investigation here, and being engaged in it, when I went down on the 18th day of June, I had to insist upon Mr. Burnham going in my place, because the matter was one that was likely to come up before I could possibly get over there.

Q. Was it a matter of great importance that one of you should be over there?—A. It is a matter of the greatest importance. The case involves issues that are of great importance to the company and to its membership, and the case would have been heard early in January by the House of Lords, but by special arrangement it was postponed.

Hon. Mr. WILSON.—What has this to do with it?

Mr. GEOFFRION.—I am simply proving the fact of his absence.

Q. There has been some evidence concerning a large amount of depreciation in the assets of the association, which Mr. Paterson was of the opinion could in no way be accounted for satisfactorily to him. I think you will find the exhibit in which Mr. Paterson made that point is Exhibit 43. In that exhibit he finds, between 1895 and 1901, a decrease in assets of \$1,355,526.06. He accounts for \$693,069.22, and says there are \$644,429.80 unaccounted for. What have you to say as to that?—A. I have to say that the report of the association from December 31, 1898, to December 31, 1901, as given to New York Insurance Department, shows an exact balance, and that every item of difference therein is accounted for, and if the certified report would be given to me, I could show it. I have here prepared a balance sheet.

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By Mr. Coster, K.C., Counsel for the Mutual Reserve;

Q. Perhaps you could show where Mr. Paterson's statement is wrong?—A. Yes, I can do that, by the reports from December 31, 1895, to December 31, 1902. Mr. Paterson placed the net invested assets of the company as of December 31, 1895, at \$3,967,316.45, which included \$314,562.59 of agents' ledger balances, and \$41,640.77 of furniture and fixtures. For 1896 he places the total income at \$5,858,476.97 and the total disbursements at \$5,585,417.69, which would have left a balance of \$4,240,375.53. In his column of total net assets, he placed the net assets at \$4,021,140.29, which was \$219,235.24 less than the balance that would have been shown by the income and disbursements, and constituted a portion of the disbursements which he testified that he found no means whatever of accounting for. At the end of schedule 4 of the certified report to the New York Insurance Department, December 31, 1896, appears these words, 'Total net or invested assets, as per balance on page 1, \$4,240,375.53, less deduction for agents' balances unsecured \$219,235.24. Total net assets, less deduction, \$4,021,140.29, which was the amount he laid down, and which amounts for \$219,235.24 of the amount he said he could not by any possibility account for. In 1897, starting with the balance, \$4,021,140.29, the income was \$6,081,309.87, and the outgo \$5,963,082.87, leaving a net balance of \$4,139,367.29, which is the amount given by him. In the report for December 31, 1898, schedule 1 starts with amount of net ledger assets, December 31 of previous year, \$4,139,367.29, less agents' ledger balances, charged off to depreciation of assets \$200,000, leaving \$3,939,367.29, which accounts for \$200,000 more of the deficiency. The income is \$6,134,327.27, and the outgo, \$6,375,939.30, reducing the balance to \$3,697,755.26. In that year the department changed its blank, and directed the deduction of all those items, and in schedule 4, after giving the ledger assets as they appear in the balance, as between income and outgo, there is in the printed schedule, the direction from the department, 'Deduct Items 6 and 7 from assets, that are not actual investments; and there is deducted \$364,457.06, leaving the net balance that is given here of \$3,334,169.78 by direction of the department. Those are items that are marked out of the net ledger assets, and are no longer carried, but the point is that they are stated in those reports distinctly, so that those reports as they exist show the exact balance at the end of 1901 as it is shown in this report, leaving nothing whatever not accounted for.

Q. And the amount which Mr. Paterson said could not be accounted for is covered by those reports in every instance?—A. Yes, from that time on the agents' balances were always deducted and the items were carried without any account of the agents' balances whatever, leaving the assets at the end of 1901, \$2,611,790.19, and balancing to a cent, as this statement of the case will show. In addition to that, I desire to point to this as showing the decrease in assets exclusive of agents' balances, furniture and fixtures, \$999,422.70, and the decrease in liabilities \$257,826.23.

Q. Exhibit 47 reads as follows:—

MUTUAL RESERVE LIFE INSURANCE COMPANY.

BALANCE SHEET, 1895 TO 1901.

1895—Net or invested assets, December 31, 1895, including agents' ledger balances and furniture and fixtures.	\$ 3,967,316 25
Total income 1896, Schedule II, sworn report to New York Insurance Department.	5,858,476 97
	\$ 9,825,793 22
Total disbursements 1896, Schedule III, same report.	\$5,585,417 69
Agents' balances marked off, Schedule IV, same report.	219,235 24
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1896—Net or invested assets, December 31, 1896, Schedule IV, same report.	\$ 4,021,140 29
Total income 1897, Schedule II, sworn report to New York Insurance Department.	6,081,309 87
	<hr/>
	\$10,102,450 16
Total disbursements 1897, Schedule III, same report.	5,963,082 87
	<hr/>

1897—Net or invested assets, December 31, 1897, Schedule IV, same report.	\$ 4,139,367 29
Total income, 1898, Schedule II, sworn report to New York Insurance Department.	6,134,327 27
	<hr/>
	\$10,273,694 56

Total disbursements, 1898, Schedule III, same report.	\$6,375,939 30
Agents' ledger balances marked off, Schedule I, same report.	200,000 00
Agents' ledger balances and furniture and fixtures deducted by requirement of blank, Schedule IV, same report, \$364,457.06, less credit balance, Schedule VI, \$871.58.	363,585 48
	<hr/>
	\$ 6,939,524 78
	<hr/>

1898—Net or invested assets, December 31, 1898, Schedule IV, same report.	\$ 3,334,169 78
Total income, 1899, Schedule II, sworn report to New York Insurance Department.	5,192,030 21
	<hr/>
	\$ 8,526,199 99

Total disbursements, 1900, Schedule III, same report.	\$5,755,728 22
Agents' ledger balances deducted by requirement of blank, Schedule IV, same report.	97,598 12
	<hr/>
	\$ 5,853,326 34
	<hr/>

1899—Net or invested assets, December 31, 1899, Schedule IV, same report.	\$ 2,672,873 65
Total income, 1900, Schedule II, sworn report to New York Insurance Department.	5,333,969 80
	<hr/>
	\$ 8,006,843 45

Total disbursements, 1900, Schedule III, same report.	\$5,077,247 84
Agents' ledger balances deducted by requirement of blank, Schedule IV, same report.	79,719 84
	<hr/>
	\$ 5,156,967 68
	<hr/>

1900—Net or invested assets, December 31, 1900, Schedule IV, same report.	\$ 2,849,875 77
Total income, 1901, Schedule II, sworn report to New York Insurance Department.	6,700,222 38
	<hr/>
	\$ 9,550,098 15
Total disbursements, 1901, Schedule III, same report.	\$6,850,079 27
Agents' ledger balances, deducted by requirement of blank, Schedule IV, same report.	88,228 69
	<hr/>
	6,938,307 96
1901—Net or invested assets, December 31, 1901, Schedule IV, same report.	\$ 2,611,790 19
Net or invested assets, December 31, 1895, including agents' ledger balances and furniture and fixtures.	\$3,967,316 25
Agents' ledger balances and furnitures and fixtures, December 31, 1895.	356,103 36
	<hr/>
Net or invested assets, December 31, 1895, excluding agents' ledger balances and furniture and fixtures.	\$ 3,611,212 89
Net or invested assets, December 31, 1901, excluding agents' ledger balances and furniture and fixtures.	2,611,790 19
	<hr/>
Decrease.	\$ 999,422 70
Liabilities, December 31, 1895, sworn report to New York Insurance Department, Schedule VII.	\$456,990 28
Schedule VII (contingent).	838,149 22
Page 6, note.	291,605 18
	<hr/>
	\$1,586,744 68
Liabilities, December 31, 1901, sworn report to New York Insurance Department, Schedule VI.	\$628,490 82
Schedule VI (contingent).	700,427 63
	<hr/>
	\$1,328,918 45
Decrease.	\$ 257,826 23

Mr. Paterson excludes from the assets all the foreign deposits. In the first place, what foreign deposits have you with the governments?—A. We have the deposits in Canada, Italy and Spain which are exclusively for the benefit of the policy-holders, in the respective countries in which they are made. The deposit in Spain I think amounts to between nine and ten thousand dollars, in Italy about \$113,000, and in Canada it amounted to \$268,000, I think the valuation was at the end of a year. That was in round numbers. I do not give the exact amount. In Canada as the valuation stood on December 31, it was \$256,922, and if the report of December 31, 1903, can be found, I will supply it to the stenographer. In the three countries it amounts to just about \$380,000.

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By Mr. Coster, K.C., Counsel for the Mutual Reserve:

Q. \$380,000 in addition to the \$268,000?—A. No, in Canada, Spain and Italy, the aggregate deposits are \$380,000.

Q. Is there none in England?—A. There is one in England, but it is not exclusively as the others are, for the benefit of the business in that country. It is a general deposit.

Q. And in New York?—A. The deposit in the New York Insurance Department, \$200,000, is for the benefit of the policy-holders, wherever they may be located, the entire membership of the company.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Have those foreign balances been accepted by the New York Department as assets?—A. They have been accepted by the New York Department as assets, because in the liabilities as carried by the New York Department, the liabilities those countries are charged as liabilities of the company. We are required to report to the New York Department the deposits in the several countries, and the liabilities in the countries also.

Q. Reference has been made also to the New York building of the association as an asset. Have you the papers in connection with that investment?—A. Here is the action of the board of the directors and the meetings of the policy-holders, authorizing the lease to be executed. The whole matter was covered before I became connected in any way with the company. The New York Department has valued this piece of property in 1894 in its examination, again in 1897, again in 1898, and again in 1899, and again in 1902, and the last time in 1902, it made the valuation, and certified the extract from the lease and I file that as certificate copy of the lease.

By Mr. Coster, K.C., Counsel for the Committee:

Q. What did the New York Department value it at?—A. The valuation is in excess of the lease, \$526,471.42.

By the Hon. Mr. Béique:

Q. When?—A. In March, 1902. The company is now carrying it on its books at \$490,121.72, as it charges off each year a portion of the value less on account of the decreasing term of it.

Q. This lease was entered into before you were in the association?—A. Yes.

(Lease with valuation appended produced and marked for identification.)

Q. And this was accepted as an asset to the extent of that amount?—A. Yes.

Q. In your opinion are those items assets?—A. Yes.

Q. A statement has been filed by Mr. Paterson, placing the deferred premiums for a given year at \$1,133,934.33, and it was pointed out that the percentage of deferred premiums was larger than in other companies, that those deferred premiums were all mentioned as an asset and Mr. Paterson gave it as his opinion that a greater part of it was not an asset. What have you to say as to those statements?—A. That was the deferred premiums and premiums in transit, less the loading, but it was not all admitted as an asset. The actual amount admitted as an asset was \$1,017,053.99, which would reduce the percentage to 23'69. The percentage is larger than that in other companies, and for the reason partially pointed out by Mr. Paterson in his testimony, that a considerable portion of the business of the company is still collected on the bi-monthly basis, while the majority of the business done by ordinary life companies is upon the annual basis, on which there would be no deferred premiums whatever. Where it is not done by ordinary companies on the annual basis, it is done generally by semi-annual payments, and on that there would be deferred premiums. The least that the general company have their payments upon is quarterly, and very few, if any

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of them, carry them on bi-monthly payments. This would necessarily make the deferred premiums of the Mutual Reserve much larger, and if he had compared them with other companies, which originated as assessment companies doing business on a quarterly or bi-monthly basis, he would have found the percentages much closer on those companies. The value of this as an asset is the same as it is in every other company, and rests upon the fact that the valuation is made by the department, and charged as a liability based upon the fact that this premium has been paid. It is, therefore, admitted as it was by every department in the world, to the extent which the assumption that this is paid increases the reserve liability, therefore it results that if any portion of this deferred premium admitted as an asset failed to be paid, the liability of the company would be reduced to at least the extent that the assets of the company would be reduced, and on that basis the item would be admitted and always had been admitted by every department in the United States and by every department in Canada.

Q. As every lapse or non-payment of those deferred premiums would reduce the liability of the association for at least as large an amount, it follows that whether the premiums are to be paid in the future or not they are an equally good asset?—A. As an offset to the liability charged against the company.

Q. Referring to claims that have been scaled down, compromised, you have, I understand, prepared a statement showing from 1895 to 1903 the compromises made in Canada?—A. I prepared a statement of the number of cases, the amount, and the reasons in all cases where the claimants were paid less than the face value of the policy in Canada for each year, 1895 to 1903, both inclusive, and also aggregated the amount:—

CLAIMS PAID AT LESS THAN FACE IN CANADA 1895 TO 1903, BOTH INCLUSIVE.

1895.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Breach of warranty.....	5	18,000	7,175
Fraudulent application.....	1	5,000	1,000
Void reinstatement of lapse.....	2	7,000	2,900
	8	30,000	11,075
Payments of claims.....	\$	163,793	
Add discount.....		18,925	
	\$	182,718	Per cent paid..... 89.642

1896.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Lapse.....	1	2,000	1,000
Breach of warranty.....	2	6,000	1,000
	3	8,000	2,000
Payments of claims.....	\$	264,728	
Add discount.....		6,000	
	\$	270,728	Per cent paid..... 97.784

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1897.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Lapse.....	1	5,000	250
Breach of warranty.....	12	23,000	8,250
	13	28,000	8,500
Payments of claims.....	\$	280,239	
Add discount.....		19,500	
	\$	299,739	Per cent paid..... 93.494

CLAIMS PAID AT LESS THAN FACE IN CANADA, 1895 TO 1903, BOTH INCLUSIVE—
Continued.

1898.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Breach of warranty.....	4	12,000	2,350
Void reinstatement.....	3	10,000	5,050
Fraud in application.....	1	2,000	350
Violation of contract.....	1	2,000	1,500
	9	26,000	9,250
Payments on claims.....	\$	287,768	
Add discount.....		16,750	
	\$	304,518	Per cent paid..... 94.500

1899.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Breach of warranty.....	3	5,000	2,000
Void reinstatement.....	3	5,000	2,400
Fraud in application.....	1	2,000	1,030
Lapse.....	1	2,000	1,000
	8	14,000	6,430
Payments on claims.....	\$	314,120	
Add discount.....		7,570	
	\$	311,690	Per cent paid..... 97.571

1900.

Cause.	Number.	Amount.	Amount paid.
		\$	\$
Breach of warranty	2	6,000	1,075
Void reinstatement	2	4,000	2,147
Violation of contract.....	1	1,000	213
Suicide premiums returned.....	1	10,000	2,551
	6	21,000	5,986

Payments on claims\$ 226,475
 Add discount..... 15,014
 \$ 241,489 Per cent paid..... 93 783

 CLAIMS PAID AT LESS THAN FACE IN CANADA, 1895 TO 1903, BOTH INCLUSIVE-
Continued.

1901.

Causes.	Number.	Amount.	Amount Paid.
		\$	\$
Breach of Warranty	8	24,000	16,535
Void Reinstatement	9	17,000	9,301
Violation of Contract.....	2	3,000	2,293
Fraud in Application.....	2	7,000	4,462
	21	51,000	32,591

Payments on Claims.... \$ 286,367
 Add discount..... 18,402
 \$ 314,776 Per cent paid..... 93-960

1902.

Causes.	Number.	Amount.	Amount Paid.
		\$	\$
Breach of Warranty.....	8	19,000	10,684
Void Reinstatement.....	4	6,000	2,665
Violation of Contract	3	5,866	3,652
	15	30,866	16,401

Payments on Claims\$ 163,791
 Add discount..... 14,465
 \$ 178,256 Per cent paid..... 91-885

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CLAIMS PAID AT LESS THAN FACE IN CANADA, 1895 TO 1903, BOTH INCLUSIVE—
Concluded.

1903.

Causes.	Number.	Amount.	Amount Paid.
		\$	\$
Breach of Warranty.....	7	14,576	10,261
Void Reinstatement.....	2	2,000	1,205
Contract Violated.....	2	12,000	7,128
	11	28,576	18,594

Payments on Claims..... \$ 174,311
 Add discounts..... 9,982
 \$ 184,293 Per cent paid..... 94.584

RECAPITULATION.

Causes.	Number.	Amount.	Amount Paid.
		\$	\$
Breaches of Warranties.....	51	127,576	58,730
Fraudulent Applications.....	5	16,000	6,842
Void Reinstatement.....	25	51,000	25,668
Lapse.....	3	9,000	2,250
Violation of Contract.....	9	23,866	14,786
Suicide (Premiums Returned).....	1	10,000	2,551
	94	237,442	110,827

Payments on Claims..... \$ 2,151,592
 Add discount..... 126,615
 \$ 2,278,207 Per cent paid..... 94.442

By Mr. Coster, K.C., Counsel for the Committee:

Q. You do not give the names of the policy-holders?—A. We do not.

Q. It is in the insurance report?—A. I presume it is.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. When can you have the names and residences supplied?—A. It will take some time.

By the Hon. Mr. Béique:

Q. You were to produce, in connection with exhibit 12, detailed statements. Have you prepared those?—A. I have it put in shape, but it is not typewritten yet.

Q. In the Bill H, before the Senate, there is a reference to \$152,000 which is to be appropriated in the manner mentioned in the draft Bill. That is only part of the deposit?—A. That is only part of the deposit.

Q. Why is not the whole amount of the deposit appropriated?—A. Because the assessments are levied for death losses that have accrued, and when this Bill goes into

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effect it cuts off our right of assessment, and the accrued liabilities should be paid from the extra amounts that have been accumulated. It will be, as an average, sixty days before we will get a payment from these people when the change is made.

By the Hon. Mr. McMullen:

Q. You purpose paying the accrued policies out of the funds in the hands of the government?—A. We expect to furnish the money. It cannot be taken out of the hands of the government. We expect to furnish that money, but the money in the hands of the government will counterbalance this that we furnish for the payment of the accrued death losses.

By the Hon. Mr. Sullivan:

Q. And you will have a claim on the government?—A. Only it will be as an offset against the accumulated risk.

By the Hon. Mr. Wilson:

Q. If you take \$152,000 out and pay the claims yourself, what do you do with the \$152,000?—A. It is not taken out; it is distributed to the members.

Q. And will be apportioned to the members who will not insure under the old line, and what is to become of those that still remain on the annual assessment?—A. Yes, and they get their proportion of the \$115,000.

By Mr. Sullivan:

Q. How do they get it?—A. The Bill defines how they will get it.

By the Hon. Mr. Domville:

Q. Who gets the money?—A. It remains with the government. Not a dollar of the money with the government is to be withdrawn under that Bill.

By the Hon. Mr. Wilson:

Q. Is that as an asset of the company or in what position will it be when you take out \$152,000?—A. Against that \$152,000 which remains in the hands of the government, there will be charged against us a liability of \$152,000 if that Bill goes into effect, and that is to offset it.

By the Hon. Mr. Béique:

Q. The whole deposit remains?—A. Yes.

The Committee then adjourned until 10.15 a.m. to-morrow.

OTTAWA, Tuesday, July 19, 1904.

The Committee met at 10.15 a.m.

Examination of George D. Eldridge continued:—

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Statements have been filed concerning the Bankers' Life Association of Des Moines. Have you any remark to make concerning the manner in which they make their report?—A. In the matter of a comparison with any company, the manner of
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APPENDIX No. 1

making the return to the department of course is important, and the sworn reports contained in the New York and other printed books bear evidence that the Bankers' Life does not return its entire expenses, nor its entire income, or has not returned it up to 1902, and that therefore any comparison based on expenses, from those figures, would be misleading. I am a member of the Bankers' Life and have been for a great many years. I know their method of procedure.

By Mr. Coster, K.C., Counsel for the Committee:

Q. They have not returned their entire expenses?—A. No, they have not returned their entire expenses. I know their method of doing business, in that they have membership fees which are equivalent to 25 per cent per thousand dollars on the age of the party admitted.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What do you mean by that?—A. They issue their certificate in two thousand dollar certificates. If a man is 40 years of age he pays on a \$2,000 certificate \$20 admission fee.

Q. If he is 40?—A. Yes. If he is 30 he pays \$15. At 36 he would pay \$18 on \$2,000, or \$9 on \$1,000. I have taken from the sworn reports of the department the amount of business written each year from 1893 to 1902, both inclusive. I have estimated that the average age of admission would be 36 years, making a membership fee of \$9 per thousand. On that basis the membership fees for the ten years given should be \$1,735,888; the amount that they have reported \$820,811, or \$915,077 less than the computation, and in proof of the fact that this computation is correct, I call attention to the business written in 1901, \$23,122,000 which, with a membership fee of \$9 would be \$208,098. They reported that year membership fees \$59,966, which is about \$2.60 a thousand. Now in 1902 they wrote \$25,522,000 insurance, and the membership fee at \$9 a thousand would be \$229,698. Their report shows \$227,985 of membership fees, or within \$1,700 of the computation made. That is on their \$23,000,000 business in 1901 they claimed to have received less than \$60,000 membership fees. On \$2,500,000 more received in 1902 they admit to have received \$228,000 of membership fees, or \$160,000 more. I know as a fact that in 1902 there was considerable discussion in regard to this very matter, published discussion in the press and elsewhere, calling the attention of the commissioners and of the public to the fact of this discrepancy in the report, and that in 1902 for the first time the membership fees did accord in the report practically with the plan of the company.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Is your statement made from the reports?—A. The statement is made from the reports in the Insurance Commissioner's office here in Ottawa, from the New York Department reports, so that that would make a difference of \$915,000 in their receipts and in their expenses, and would make the entire comparison of expenses not entitled to full credence because of that discrepancy.

By the Hon. Mr. Landry:

Q. You take 36 as the average age?—A. Yes.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. Is 36 the age given by Mr. Paterson in his evidence?—A. No, 35 I think was Mr. Paterson's. I took 36 because it was even dollars. I do not mean to say these are exact figures, but the computation could be made more rapidly at an even figure than at \$8.75. It shows last year \$9 is almost exactly the amount they report.

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BANKERS LIFE.

	Business.	Mem. Fee at \$9.00.	Reported.
	\$	\$	\$
1893	10,516,000	94,644	53,899
1894	13,482,000	121,338	62,542
1895	19,812,000	178,938	85,199
1896	17,822,000	160,398	77,407
1897	19,550,000	179,950	65,540
1898	20,648,000	185,832	68,875
1899	21,762,000	195,858	62,598
1900	20,126,000	181,134	56,800
1901	23,122,000	208,098	59,966
1902	25,522,000	229,698	227,985
		1,735,888	820,811

Not reported, \$915,977.

Q. I understand you to say there is a difference of only \$1,700 between the amount reported and the amount which should be reported, if the amount was \$9?—A. Yes.

By the Hon. Mr. McMullen.

Q. Did you make these abstracts from the reports yourself personally?—A. Yes.

Q. And these abstracts are open to any person to see them?—A. Yes, to any person.

By the Chairman:

Q. There is a statement here No. 48, the one on which the discussion took place—claims paid at less than the face in Canada—did you compile the statement yourself?—A. No, I did not compile it myself. I had it compiled by my clerks in New York, and I checked up odd items in it, picking them out irregularly.

Q. It is not your own personal compilation of the records of the company?—A. No, I do not claim that to be so; my clerks did it.

By Mr. Coster, K.C., for the Committee:

Q. You cannot say whether it is true or not?—A. I cannot say so any more than I can say of any mass of figures.

By the Chairman:

Q. You take them as an ordinary compilation of figures?—A. The compilation was given me, and I took every tenth one and verified that, and finding no discrepancy in that—

By Mr. Coster, K.C., Counsel for the Committee:

Q. Where did you take every tenth one?—A. From the books of the company.

Q. You were there when that was made up?—A. No, I was there after. They compiled individually, number by number the whole ninety-four policies that are in here. Then I took that list that they gave me and checked every tenth one to make sure there was no discrepancy.

By the Chairman:

Q. You have no personal knowledge of it? You cannot personally verify it?—A. I cannot personally verify the whole ninety-four.

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By Mr. Coster, K.C., Counsel for the Committee:

Q. You cannot verify nine out of every ten there?—A. I cannot verify it to the extent of knowing what the business of the company in Canada has been, what death losses there have been, and check them from the books in that way.

Q. In your mind?—A. It may be in my mind—Mr. President, I do not think these side remarks should be allowed.

By Mr. Geoffrion, Counsel for the Company:

Q. With reference to exhibits 48, these figures were, you say, prepared by your employees over in New York?—A. Yes.

Q. Have you any moral doubt that they are correct?—A. The figures on which I based in this compilation were prepared by my employees in New York. I have no question that they are correct.

Q. And you checked every tenth?—A. I checked every tenth in the original list. I compiled, myself, this synopsis.

Q. And they can be verified?—A. They can be verified.

Q. By an examination of the books of the company?—A. Yes, the examination of the books of the company will verify them.

Q. Do you know for what reason the Bankers' Life Association of Des Moines reported only part of its membership fees as income until it was forced to report them fully in 1902?—A. I do not know the reason. I could not testify as to the reason.

Q. Are not the commissions of agents, or cost of getting business, paid out of those membership fees?—A. They are. That is primarily what they are for.

Q. Does it not suggest to you why the report was incomplete?—A. I think I know why it was incomplete, but I was asked if I could testify from my knowledge, and I could not.

Q. And as a matter of fact you could not?—A. No.

Q. Can you give us your opinion on the fact and help to enlighten the Committee? Objected to by Counsel for Committee. Question withdrawn.

Q. Do you know of any possible explanation of this sudden change in the report, and of this discrepancy between the sum to which the membership fees should amount and the sum reported.

Objected to by Counsel for the Committee as tending to contradict the sworn statements to the Department of Insurance of New York state.

Question allowed on reserve.

—A. I know as a matter of fact that very many of the assessment companies made it a practice, in reporting to the department, instead of reporting their full membership fees, to report simply that portion of them that were received actually at the home office, deducting the portion paid to agents. I found that was followed in the Mutual Reserve before going there, and it was followed in the report to the Canadian Department by the Mutual Reserve, and by the Canadian Department the amount was changed to the full membership fee; and knowing that fact and knowing that in 1901 there was a very strong agitation in regard to the Bankers' Life stating this very same thing was done, I base my opinion that that was the course that was pursued, and not in the way of charging perjury against the officers, but that simply was the way of making the reports.

Q. It was the practice?—A. It was the practice. A great many assessment companies to my knowledge did it.

Q. Those amounts retained by agents will not be entered as income or expenses? —A. Neither as income nor as expenses.

Q. You say that was done by the Mutual Reserve before you entered it?—A. Yes. I do not mean to say it was always done, but it was in some years.

Q. Now have you any remarks to make on the statement of Mr. Paterson concerning the Bankers' Life Association?—A. He has computed the loss and expense on the basis of the insurance in force at the end of each year, while he should have computed it on the average or mean insurance of the year. That is, he assumes in making his calculation that the amount that was in force at the end of the year had been carried the full year, and determines from that the proportion of death losses to the expenses, while of course the proper basis is the average of the year which would be the amount at the beginning of the year, plus the amount at the end of the year, divided by two, or the mean amount of insurance. The entire computation, where it represents the death losses of this company, he does use that mean amount instead of the amount at the end of the year.

Q. What do you mean by this company?—A. I mean the Mutual Reserve.

Q. The mean amount is, roughly speaking, the medium between the amount between the previous year and the amount of that year?—A. The mean amount is a term used in insurance and always signifies half the amount at the beginning of the year and at the end of the year.

Q. So on this statement of Mr. Paterson's the correction can be made easily, simply by taking the mean amount of insurance in the year, the amount half-way between the amount of the preceding year and the amount of that year?—A. Yes, and there is what is evidently a typographical error in this statement in 1895: where it is \$774, it is evident \$374 was meant.

Q. Did you obtain a copy of the rules and conditions for admission of members in the Bankers' Life Association in Des Moines?—A. I did.

Q. Have you a copy of this pamphlet with you here?—A. I have.

Q. You obtained this pamphlet by applying to the Bankers' Life itself?—A. I did, to the president of the Bankers' Life.

Q. Can you, by referring to this pamphlet, mention the conditions necessary to be admitted as a member of the association?—A. They are on page 3, and page 6, and are as follows:—

'As an additional safeguard against the frauds and impositions practised upon insurance organizations it was provided that the membership should be selected with great care and that no applicant should be admitted without the approval of the local banker, both as to the character of the applicant and the examining physician, and also that the risks should be confined largely to business and professional men, who are not only able to pay their obligations, but who can procure the best medical treatment in case of sickness, and who can take a season of rest and recreation when their health demands it. This precautionary feature is *exclusively our own*, and has resulted in a death rate so low as to be called *phenomenal* by our ablest competitors, and which, in 1903, the twenty-fifth year of the association, was only 6:61 to the thousand; while the average cost per year, for sixteen years, 1888-1903, has been only \$8.85 per \$1,000 at age 40, with other ages in proportion.

* * * * *
'The association issues certificates to men only, and confines its membership to the most desirable elements in each community. The territory in which membership is solicited is limited by the board of directors to that portion of the United States north of the thirty-six degrees and thirty minutes, except in the extreme west. Certificates are not issued to those engaged in any hazardous occupation or one which tends to impair health or weaken ability to resist disease. In this class are included those occupied in underground mining or upon railroad track or train as employee, or on any boat or vessel; wholesale and retail liquor dealers, those employed in electric light and power plants in such capacity as to endanger life, or in manufacturing explosives, or in military or naval services in time of war.

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Q. What is the age limit?—A. Fifty years.

Q. That is much younger than the Mutual Reserve?—A. Much younger than most companies.

Q. Those statements which have been read to the Committee have been taken from the little pamphlet which you produce, entitled: 'The Bankers' Life Association of Des Moines, Iowa'?—A. Yes.

Q. They refer there to a local banker: from what you know of their organization, what do they mean by that?—A. They appoint at every point where they do business a banking institution which becomes their headquarters, collects their assessments, and becomes also the point at which voting for officers, directors and amendments and by-laws can be carried on at the time of their annual meeting, and these local bankers are called the depository referred to there.

Q. And it is of this the approval must be obtained?—A. Yes.

Q. How has this system of appointing bankers for collecting premiums, &c., any effect upon the expenses?—A. It would naturally result in a low cost of collection and of doing away with renewal commissions for payment of business to agents.

Q. As a matter of fact, can you say whether their expenses in commissions to agents compare with those of other companies?—A. Undoubtedly, they are getting their business cheaper than almost any other company I know of that operates, even in appearance, as a business organization—I mean as distinct from a fraternal organization.

Q. Their commissions are small?—A. They are. There is no denying the business of the company is conducted at a very low rate of expense. It is everywhere admitted.

Q. Is that due in fact to their low mortality and low rates?—A. Undoubtedly.

Q. It makes it more easy to get business?—Much more easy to get business.

Q. Do the places where they, generally speaking, do their business have any effect on the expenses of their management?—A. The great bulk of their business is done in small places. For instance, in New York city, it is only within a year they have had a deposit there, although they have been in smaller places in the State for some years. They aim to do business in small places.

Q. In doing business in New York, does that save expense?—A. I do not know any more expensive place to do business in than New York city.

Q. The Bankers' Life Company was organized in 1897?—A. It was.

Q. Would you call it, notwithstanding that, a new company, and if so, for what reason?—A. It is very largely a new company. Up to ten years ago their entire business in force only amounted to \$45,000,000—or, up to the end of 1892, it amounted to \$43,000,000. In the next ten years it jumped from that to \$178,500,000, four times the amount that it had been in 1892, and, therefore, while it was incorporated in 1879, the great bulk of its business is practically newly admitted, and within a fair distance of medical examination and a young business.

Q. Has the admission in recent years of a large amount of new business had a tendency to reduce expense and mortality costs?—A. Oh, decidedly.

Q. I read, in the pamphlet from which you have quoted, that the death rate has been abnormally low—is that the fact?—A. It is.

Q. So this is considered an exceptional case?—A. The company is regarded everywhere as exceptional in the results it has obtained.

Q. Is there any other business organization that compares with it?—A. I do not know of any.

By the Hon. Mr. Béique:

Q. How do their rates compare with the rates of other companies?—A. They do business on a very peculiar basis. They require a deposit at the time the insurance is written on each \$2,000 certificate of as many dollars as the party is years old. That is a deposit on account of future assessments. Then they have a scale of rates simply for

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apportioning the losses, not a scale of premiums at all, but a scale simply for adjusting losses between various agents. The quarterly assessments they adjust by this scale, and take it out of the assessments paid in advance to recoup, and it is almost impossible to compare their rates with others for that reason, because they have no steady premiums.

By the Hon. Mr. McSweeney:

Q. How does it compare with the Mutual Reserve?—A. The results of costs, the amount that is paid within a year for insurance is much lower than in any other organization that I know of.

Q. Even yours?—A. Even ours. I am carrying insurance there and have carried it for fourteen years. It is the cheapest insurance I am carrying, and I know I am not paying more than 40 per cent of what I ought to pay for that insurance. Sometime I will have to make it up.

By Mr. Coster, K.C., Counsel for the Committee:

Q. In the Bankers' Life, do you mean?—A. Yes.

Q. And yet their surplus increases?—A. Their surplus increases by this deposit. They received this deposit on account for deposit, and they return it in case of death. They do not charge it as a liability, and they say their surplus is the assets.

By the Hon. Mr. McSweeney:

Q. Their business has gone up very rapidly?—A. Very rapidly indeed.

Q. The public must have some confidence in it?—A. No doubt about it.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You have yourself?—A. I have for the present. They are giving me very cheap insurance. If I die before trouble comes the insurance will be all right.

By the Hon. Mr. Sullivan:

Q. Are they giving it too cheap?—A. Yes.

Q. Therefore they will come to grief?—A. They will come to grief ultimately, I have not a question.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You have spoken of a surplus—is it a surplus or merely an asset?—A. It is simply their assets less their accrued death losses. It does not take into account the deposits that have been made on account of future assessments. They do not treat those as a liability. They have no reserve that they charge as a liability.

Q. Have you an additional remark to make concerning the statement filed by Mr. Paterson about the inclusion of notes in Mr. Paterson's statement relating to the Bankers' Life?—A. It is stated they have no notes. They do have and always have had notes. They take the deposit in notes. The company takes the notes for this deposit that is made in advance, payable in four instalments, and these notes are included in their income and in the calculations that have been made as to the rate used for expenses; these notes, which are simply deposits on account of future assessments, are included in income and ratio of expense, calculated on that, and they have always included their notes in their assets except where they have been specially excluded by the department.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Where was that?—A. In New York they had them as assets until 1899, when the department excluded them.

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By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Those three remarks about notes being included as income, about the total fees not being reported until 1902, and about the insurance at the end of the year being taken instead of the mean insurance—if the figures were corrected in view of that, would the ratio of expense be changed?—A. Oh, yes, the ratio of expense would be changed necessarily.

By the Hon. Mr. Sullivan:

Q. Did you make out a statement of figures on your basis?—A. No, I have not made the calculation.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Can you give reasons, if any, why a comparison between fraternal organizations' assets, and business organizations' assets, even on the assessment plan like the Mutual Reserve, has been until recently, not fair?—A. The fraternal organizations operate under special laws in the various states of the union, and are largely exempt from taxes and expenses incident to supervision. They are required to operate through lodges, councils, or bodies of that kind, and in the majority of states they are forbidden by law to employ paid agents to solicit business. The business is obtained through the lodges, the memberships aggregate in the lodges, and the very large proportion of the expense of doing business consists of dues paid to the lodges, which are not reported in the expenses to the Insurance Department, the only expense reported to the Insurance Department being the immediate expenses of the supreme bodies and not of the entire business; so that no basis of comparison with a business organization can be had because of the absence of data as to all the expenses of transacting the business.

By the Chairman:

Q. The dues paid in by members of a fraternal association to the lodges, and which, as you say, do not go into the reports to the Insurance Department, represent value. When I pay \$4 a year into the Independent Order of Foresters, I have my lodge to go to, and I have books; do I not get value for my \$4 besides the insurance?—A. Undoubtedly.

Q. Then the suggestion that this does not go into the annual report would be misleading, would it not?—A. It does not seem so to me. It seems to me the substitute for what is paid to agents to get business. That is what attracts members and brings them in.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. The great distinction is, first they have less taxes to pay, and second, they do not pay commissions to agents, and third, the expenses of their lodges are not reported?—A. Yes.

Q. Do you consider that companies which do not do business on the assessment plan can, nevertheless be compared from the point of view of expenses with the Mutual Reserve?—A. At the present time the Mutual Reserve is doing all its business on the legal reserve basis. I do not think that when an assessment company is simply doing a low cost business in getting business as easily as it is possible at times to get it

under the low cost and the holding out of the proposition that it is to continue for ever that way, that a comparison with old line companies or legal reserve companies is a fair comparison to make. An assessment company, as facts have proved in the past, during the high day of that business is able to get business cheaper than the legal reserve companies on account of its low premium, and the comparison would not be a fair one under those conditions with a legal reserve company.

Q. That would bring this association down to 1895, the first large increase?—A. The first increase in assessments was made in 1895.

Q. From the moment of the first increase in 1895, you say you can then begin to compare this association with level premium companies?—A. Well, the conditions would then more nearly approach from that time, the conditions that would allow it to be compared with the legal reserve companies, because from that time the difficulties of obtaining business increased, and necessarily the cost increased, and as it approached the time when it became a legal reserve company, of course the conditions became more and more assimilated to the old line company, and the comparison of cost became more nearly fair.

Q. You say it became more and more assimilated to the old line companies until it became a legal reserve company. Do you take into account also, in addition, the increase in the rates which brought them practically to the same level as those old line companies, and, therefore, took away the reason to distinguish, which you have just mentioned? Do you take into consideration, in addition to that, the unpopularity of the association?—A. Certainly, the difficulties which arose out of the reapportionment of rates and the disappointment of policy-holders who had at first been lead to suppose that their premiums would remain level, or practically level, had an immense effect in rendering more difficult the carrying on of the business and increasing the expenses of the institution. It was inevitable that that should be the result.

Q. The difficulty of getting new business increases the ratio of expenses?—A. Yes.

Q. And the unpopularity of the company has that effect?—A. Unquestionably.

By the Hon. Mr. McMullen:

Q. In your evidence to-day, you said in the case of the Bankers' Life that a deposit in addition to the monthly assessments had been made by each person insuring in the company. That is, that they had to pay in \$1 a year for the age. Now your statement on that would lead the Committee to suppose that that was paid in addition to the assessments, and all went into the funds of the company without any return whatever for the \$1 a year that was paid. Now let me read you this clause in the pamphlet of the Bankers' Association :—

'The weakness of the co-operative system in its crude state was universally conceded to be its overshadowing fault, and the remedy for this defect was, naturally enough, based upon the Bankers' idea of ample security for the performance of the contract entered into, upon the part of each member, for the protection of every other member, in the proportion of age and the amount of insurance carried.

'Acting upon this idea, it was required that each member should contribute a dollar for each year of his age, counted at nearest birthday, as a money guarantee that he would meet all quarterly calls for the purpose of paying death losses, and the fixed annual allowance for expenses, which, being paid, entitles the beneficiary to a return of the guarantee in addition to the \$2,000 provided in the certificate of membership.'

Now that fairly shows that although he pays the dollar a year it is a mere temporary deposit; he gets credit for that dollar a year upon his assessments, and in that way it is returned to him, and in the meantime it lies with the company as a guarantee in case of his death. That is all, is it not?—A. That is all, and that is what I testified.

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By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. Referring to the charge that has been made to the effect that the association had a list every year of scaled down or compromised policies, while other companies have no such list, have you any statement to make as to the obligations of those other companies?—A. Included schedule of scale or compromise claim in the report to the Insurance Department is a special provision of the New York law relating to assessment companies. It is not required of legal reserve companies, and the same may be said of the list of death claims paid. That is required of assessment companies, and not required of other companies, but those schedules are never printed in the official reports of the department, so that the only way in which one can obtain those schedules is to visit the department and inspect them, or get a certified copy from the department so that it would only be by visiting the department, and inspecting the reports of other companies or sending to the department and getting a copy of them that one could know whether other companies reported compromised claims and to what extent they did so; but they could not obtain that information with regard to a legal reserve company because it is not required of a legal reserve company.

Q. And as to the others, the printed report does not show it?—A. As to the others the printed report does not show it.

Q. So there is no possible basis of comparison?—A. No.

Q. As a matter of fact, does not every company compromise and scale down claims?—A. Every one with which I have any acquaintance.

By the Chairman:

Q. The question is what proportion?—A. That is something you cannot say.

By Mr Geoffrion, Counsel for the Mutual Reserve Company:

Q. You have heard statements made by Mr. Pendelton that were made declarations of a solicitor of business that were made to him concerning transfers from the fifteen-year class to the ten-year class?—A. I was present and heard him.

Q. As a matter of fact, can you give us the policy and instructions of the company to its agents? Was it to discriminate among the fifteen year people or to get the whole of them?—A. To do all that was possible to get them all transferred to the new plan.

Q. All of them?—A. Yes.

Q. Indiscriminately?—A. Indiscriminately.

Q. No new examination was required?—A. There was largely a new examination required, but it was the determination of the condition of the risk, and we reserved the right in connection with impaired risks to place them at an age for the purpose of transfer if we desired, if it was deemed for the interest of the company, but the effort was made to transfer just as largely as possible the fifteen-year class to the ten-year class.

Q. Was any policy-holder of the fifteen-year class refused transfer?—A. They were not refused transfer. They were given the privilege of transferring at a rate age in view of attained age.

Q. Was there a medical examination?—A. Yes, a medical examination was taken for the purpose ascertaining whether we should transfer them at the regular rate or at a rated age.

Q. But they were admitted anyway?—A. Yes.

Q. And the more transfers the agents could get the more commission they received?—A. Yes.

By the Hon. Mr. Sullivan:

Q. What commission did you give?—A. Where a policy had been in force five years, we gave the same commission that we gave on new business. Under five years, we gave half the increase in the premium for one year.

By the Hon. Mr. Domville:

Q. This exhibit about claims paid at less than the face in Canada in 1895 shows that there was paid thereon 89 per cent. If it was taken down that way it is not right; the amount was \$89,642?—A. 89 per cent of the face of all claims that year was paid.

By Mr. Geoffrion, Counsel for the Mutual Reserve Company:

Q. In one statement filed by Mr. Patterson it is stated that you testified that the last examination of compromised claims had been made in 1898?—A. At the bottom there is a note 'See testimony, part 4, Page 35'. I think a reference to the testimony on that page will show that Mr. Patterson is misled. I stated that in all the examination they examined the matter of compromise and reduced claims but that in the report of 1898 was last reference that he made in the report thereto.

By Mr. Geoffrion, Counsel for the Committee :

Q. On page 35 you were asked the question 'What was the last of those examinations by the New York department,' and you answer 'One in 1898, one in 1899, one in 1902. I think the one that dealt specifically with it was the one in 1898.'—A. Yes. I simply refer to page 35 and the various questions there in regard to the matter as showing what I did testify to, which I think has been certainly misapprehended by Mr. Patterson in his note at the bottom of that exhibit.

Q. Mr. Patterson filed a statement, selection against the system, showing that the death rate has increased in the later years. Have you any statement to make in regard to that?—A. There is no question that the death rate has increased in the later years, as would naturally be the case with the decreasing proportion of new applicants, and with the larger lapse which has unquestionably produced to a greater or less extent a selection against the company as to the character of the risks. It is a thing that would be inevitable. However, in the last three years the larger portion of death rate arised from including in the general exhibit among the reinsured members of the North-western Mutual of Chicago in which company the death rate is very large, but by the provisions of the contract of reinsurance with the North-western, we simply accept them as a class by themselves and arrange their premium payments, they having to pay their own death rate, and none of it is imposed upon the general membership of the company, so that the showing of a large death rate based upon the entire membership as it must be from the reports of the department would not necesarily show that it was an increasing death rate from the general membership on account of this special class.

Q. You state that the North-western members bear their own death losses and are kept separate?—A. They do.

Q. Do they bear their own expenses?—A. They provide for all expenses incurred in the business.

Q. And so the Canadian policy-holders are not interested in that section of the business at all?—A. There are none of the assessment policy-holders in Canada included in that business. There are a few reinsured members in the North-western in Canada but that is included under the legal reserve business.

Q. Reference has been made in Mr. Wells' evidence to an advance of £1,500 made to Mr. Moss while he is in Europe and which was subsequently credited to him or balanced in the books?—A. I have nothing new to say on that. In the mass that I have had to testify to, I had over-looked the fact that I had testified in regard to that.

Q. Did you give the ratio that this amount cost?—A. It amounted to about \$1 per thousand.

Q. The fifteen hundred pounds paid to him represented about \$1 per thousand on insurance obtained outside his department by him?—A. Yes.

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Q. He had claimed 10 per cent, which would be about \$2 ?—A. Yes.

Q. He was paid 5 per cent, \$1 ?—A. Yes.

Q. You prepared four or five copies, did you not ?—A. Yes.

Q. Are they ready?—A. Not quite ready.

Q. You heard Mr. Wells' evidence concerning the Moss contract?—A. Yes.

Q. You heard him charge that it had been changed, and in addition to that it had been improperly carried out, resulting in a very large loss to the association ?—A. Yes.

Q. I understand that was in reference to the contract of 1897 ?—A. Yes.

Q. Generally speaking the provisions of the contract of 1897, so far as they bear on this question, were that he was to get advances of \$3,500 per week?—A. Yes.

Q. In order to make advances, and that on the business obtained by his agents or by him he was to get a commission of 85 per cent on the first year's premium out of which he was to pay the agents and he was to get a renewal commission of a certain sum ?—A. Yes.

Q. Is that it ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What was the renewal commission ?—A. One dollar and one-half a thousand on the five year business, and seventy-five cents per thousand on the ten year business.

By the Hon. Mr. Béique :

Q. For how long ?—A. Five years. In addition to that, there was a provision that the company would allow him \$200 per week for clerical force, expenses in his office, and that they would pay rentals to the amount of \$20,000 for agency offices.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Is that in the contract ?—A. Yes, you will find it in the last two paragraphs of the contract of 1897. On the ten year distribution the first year's commission was 50 per cent, not 85 per cent.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Have you prepared a statement of Mr. Moss's account, or have you caused to have prepared a statement of Mr. Moss's account showing all entries on the books relating to the 1897 contract ?—(Statement produced.)

By Mr. Coster, K.C., Counsel for the Committee :

Q. Was that made by yourself? Is the book-keeper here?—A. The man who made it is here.

Q. And he will be called to verify that ?—A. Yes.

Q. That is the same as was submitted to the Insurance Department of the State of New York ?—A. Oh, no. This is a statement showing everything that was paid under that contract, every dollar that was paid, advances retained by agents for Mr. Moss, the first year's premiums that were never received, and the renewals that accrued to the end of the five year, showing the whole results of the contract.

Q. And you submitted to the department Mr. Moss's accounts, and those differ, you say, from these?—A. At the time that examination was made, in 1889, they could not be brought down to the five-years renewals. This brings it down to the termination on the renewal contract, and is a synopsis of what is contained in several hundred pages of reports that were made to Mr. Moss at different times, and reports that were made to the department, and is, of course, a consolidated report. We could not bring it in to attempt to explain hundreds of pages of report. I understood the Committee desired presented to-day the result of that contract, and that is what I have made out. Of course, the amounts have to appear in lump sums, or else you would have an exhibit here that would fill hundreds of pages. They can be verified on the books of the company at the home office.

Q. There was an order to produce those accounts filed with the department?—A. I know of no such order.

Q. I mean the account rendered Moss himself?—A. We have the letter-books here containing it.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. I understand this is a recapitulation of the entries in the books concerning the Moss account?—A. This is a recapitulation of the entries in the books concerning the Moss account, and an entire statement of that contract of 1897.

Q. Carried down to to-day?—A. Carried down to the expiration of the five years.

Q. Did the department examine the books of the association?—A. Yes.

Q. The examination of the department was made in the office of the association itself?—A. It was.

Q. And therefore, they looked into the books themselves?—A. Yes.

Q. So this summary statement was not submitted to them?—A. No. This summary could not be submitted, as the accounts had not been fully completed.

By the Hon. Mr. Béique:

Q. The five years had not then expired?—A. No.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Is this statement you now filed correct, and does it show all the entries?—A. So far as I have been able to verify the entries—and I have been able to verify very many of them and the footings, &c.—it is correct, and embraces the entire considerations under that contract.

By the Hon. Mr. Wilson:

Q. You have not identified all of them?—A. No.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Are the books of Mr. Moss here ?—A. I think the letter books are here, containing our letter press of the various reports submitted to Mr. Moss that cover several hundred pages.

Mr. COSTER.—I object to this going in as it is not the same as that submitted to the department.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Will you please file this statement to which you have referred.—A. I file it as exhibit No. 50a.

Q. Will you produce two other statements prepared also, recapitulations of the books of the company, and relating to this contract tendered in evidence ?—A. Yes.

Q. I am informed that I can prove these statements afterwards. The three statements will be filed as 50a, 50b and 50c. They read as follows :—

(*Exhibit No. 50a.*)

In re Moton D. Moss.

STATEMENTS SHOWING EXPENDITURES AND RECEIPTS UNDER 1897 CONTRACT.

Cash advanced by Moton D. Moss, General Manager, during		
the year 1897:	\$247,695	45
Less amounts credited by error	485	00
Less amounts returned by agents	366	63
		851 63
Balance	\$246,843	82

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Cash retained by agents, during 1897 on 1897 business..	207,376 66
Cash retained by agents during 1898 on 1897 business..	64,671 13
Cash paid Moton D. Moss, during 1897 on account of commissions on 1897 business..	74,151 17
Cash paid Moton D. Moss, January 15, 1898, on account of commissions on 1897 business..	2,392 06
Cash paid Moton D. Moss, during 1898, as per part of compensation of 1898 contract, but included here to remove all question..	8,074 75
Cash retained by Moton D. Moss, during 1897, from premiums on sundry policies	15,078 91
Cash retained or paid to solicitors of Moton D. Moss, during 1897..	3,141 60
Cash premiums retained to applicants and charged to Moton D. Moss..	412 96
Cash draft met by association and charged to Moton D. Moss..	374 92
Cash to make good 'N. G. check,' and charged to Moton D. Moss..	35 17
Cash medical examination fees, and charged to Moton D. Moss..	6 00
Cash commissions charged Moton D. Moss on N. G. check..	5 21
Cash salaries paid in excess of \$200 per week, and charged Moton D. Moss..	5,548 17
Cash rents paid, in excess of \$20,000 per annum, and charged Moton D. Moss..	28 82
	<hr/>
Total expenditures..	\$628,141 35

Contra.

Gross premiums on 1897 business received and credited in 1897..	\$475,225 50
Gross premiums on 1897 business received and credited in 1898..	203,085 52
	<hr/>
Total first year premiums..	\$678,311 02
Amount of renewal commissions on five-year plan at \$1.50 per \$1,000 of insurance on \$43,203,240, averaging to pay one year's renewal premium from 1898 to 1902, both inclusive (5 years)..	64,804 86
Amount of renewal commissions on ten-year plan at 75 cents per \$1,000 of insurance on \$1,783,640, averaging to pay one year's renewal premium from 1898 to 1902, both inclusive (5 years)..	1,337 73
	<hr/>
Total renewal commissions..	66,142 59

Summary.

Total cash expenditures as per statement..	\$628,141 35
Total renewal commissions for 5 years, January 1, 1898, to December 31, 1902, as per statement..	66,142 59
Balances representing expenditures on first year's premiums..	\$561,998 76
Total first year's premiums as per above statement.....	\$678,311 02

Percentage of cost on first year's premiums 82, 85, 100 per cent.

(Exhibit No. 50b.)

MOTON D. MOSS COMMISSION ACCOUNT, 1897 ACCOUNT.

IN ACCOUNT with Mutual Reserve Fund Life Association of New York.

Summary.

To cash received at Sundry times in 1897, account commissions.	\$74,151 17
To cash received January 15, 1898, on account of commissions on 1897 business.	2,392 06
To cash retained at sundry times in 1897, on sundry policies.	15,078 91
To cash retained or paid to solicitors at sundry times in 1897.	3,141 60
To cash premiums returned to applicants, and charged to Moton D. Moss.	412 96
To cash drafts met by the association, and charged to Moton D. Moss.	374 92
To cash to make good 'N. G. Check', and charged to Moton D. Moss.	35 17
To cash medical examination fees, and charged to Moton D. Moss.	6 00
To cash commissions charged to Moton D. Moss on 'N. G. Check'.	5 21
To cash salaries paid in excess of \$200 per week, and charged to Moton D. Moss.	5,548 17
To cash, rent paid in excess of \$20,000 per annum, and charged to Moton D. Moss.	28 82
	<hr/>
Total cash debits.	\$101,174 99

Credit.

By commissions on personal business written and paid for in 1897.	\$ 4,351 14
By amount charged Moton D. Moss, general manager, account of adjustment of personal account.	9,815 07
By overriding commissions on 1897 business, paid for during 1897.	93,810 78
	<hr/>
Total credits.	107,976 99
	<hr/>
Credit balance, 1897 business.	\$ 6,802 00

(Exhibit No. 50c.)

MOTON D. MOSS, GENERAL MANAGER, 1897 ACCOUNT.

IN ACCOUNT with Mutual Reserve Fund Life Association of New York.

Summary.

To cash advanced him by the association, 1st advance January 7, 1899, last advance December 27, 1897.	\$236,500 00
To amounts recharged, credited by error.	485 00
To amounts recharged, returned by agents.	366 63
To amounts charged, adjustment M. D. Moss personal account.	9,815 07
	<hr/>
	\$247,166 70

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Credit.

By amounts advanced by him to agents and accounted for by vouchers of such agents.	247,695 45
Excess advances.	\$ 528 75

O.K., J. A. HYLAND,
Chief bookkeeper.

Could you explain exhibit 50a?—A. It is a statement that shows all advances made by Moton D. Moss to his agents under the contract of 1897, all cash retained by agents during 1897 on 1897 business, cash retained by agents during 1898 on 1897 business, cash paid Moss 1897 on account of commissions, and subsequent payment on January 15, on account of commissions; also certain cash that was paid him in 1898, which we claim was paid under the terms of 1898 contract, but for completeness we included here as one of the 1897 items, and then the various sub-items small items of payments and detentions, &c., charged to him of the salaries paid to him in excess of \$200 per week; also excess of over \$20,000, thereby giving the total expenditures per contra, giving the gross business received on that business during 1897, gross premiums received in the same business during 1898, and then the renewal commissions on the payments actually made to the company since then down to the end of five years. That deducted from the expenditure leaves the balance of expenditures of the first year and as against the premiums and the calculation of percentage thereof. This is the statement that was under discussion.

By Mr. Coster, K.C., Counsel for the Committee:

Q. These have all to be verified by the book-keeper?—A. Yes. Aside from the renewals of business actually continuing, there was a balance of expenditure the first year of \$561,998.76, a total of the first year's premiums of \$678,311.02, the percentage of cost the first year being 82 and 85-100 per cent.

By Mr. Geoffrion, K.C., Counsel for the Mutual Reserve:

Q. How did the association make that profit?—A. After we had paid the renewals out actually there would have been more than that. That is, we would not have had the same credit on account, and by the commutation of the account a slight margin, and probably in part it arises from the fact that of the ten-year business there was only 50 per cent commission paid. While the business was very small indeed compared with the others, it would make a slight difference in that regard.

Q. You say there was a commutation? This contract was therefore

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changed, I understand, 1st January, 1898, I am not speaking of the change to which Mr. Wells testified, but in the contract of 1898 was there not a change?—A. It was already in evidence that in 1897 we assumed the obligations for liability under this contract for consideration of release of commissions and released Mr. Moss.

Q. You released Mr. Moss of his liability, and in exchange he transferred to you his renewal commissions?—A. Yes.

Q. But in this statement of 1898 you assumed the contract was carried on?—A. Yes.

Q. And you have debited him with all the agents' balances?—A. Debited him with every dollar paid out on account of that contract, and credited ourselves with the reserve therefrom.

Q. Can you give us the purport of Exhibit 50b?—A. This is Mr. Moss's own commission account. In that account nothing was kept of the advances at all but the payments made to him and the credit under the contract. He has charged himself with all the payments made to him and with excess of salaries and excess of rents. There are two credits, one to commissions on personal business—that is the 65 per cent on business done by himself personally, and then he is credited with the overriding commissions on the premiums received during 1897, and the balance shows a credit to his account of \$6,802 at the end of 1897.

Q. That is Moss's personal account?—A. Yes.

Q. As distinguished from his account as general manager?—A. The general manager's account simply covered the moneys that were deposited to his account before he accounted for them. The general manager's account contained nothing of commissions of that kind, but was just an account through which the advances passed.

Q. This exhibit, 50a, really contained to the debit of Moss. The same items as are contained in the statement Exhibit No. 50a, apart from the moneys advanced to agents or retained by agents?—A. Yes, that is it. Perhaps I can make it a little plainer this way: by our system of book-keeping every agent had an account and he would be charged with his advances or with the moneys paid to him and credited with his commissions thereon. If he retained any money it was charged to him, and, of course, the commission credited. As far as the 65 per cent on business actually done, Mr. Moss was treated in the same way as an agent of the company, and he was charged with what was paid to him or retained by him and credited with his 65 per cent commission. The 20 per cent had been nowhere credited then. At the end of the year we credited on that account 20 per cent. That is the first time the 20 per cent had been touched. Up to that time it had been the 65 per cent; so that it was really just the same account as kept with the other agents, except that at the end of the year he got his credit for the overriding commission on the premiums actually received.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Does it show the amount of the 20 per cent overriding commission?—A. Yes.

Q. What is the amount?—A. \$93,810.78.

Q. That is the amount we have come up against so often?—A. That is the 20 per cent overriding commission.

Q. He got that in addition to the \$182,000?—A. No, he did not.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. What does Exhibit 50c purport to show?—A. It is Mr. Moss's account as general manager, charging him with all advances made by him to agents as shown by the vouchers of those agents. It is simply an account to show that he used the money that was advanced to him for the purposes for which it was advanced. He was charged with the advances made and credited when he accounted for that by vouchers as advances to agents, and then those amounts were charged to the agents.

Q. And he advanced \$528.75 more than he received for advances?—A. Yes.

Q. Are the amounts put here year by year?—A. It is a consolidated statement to get it into that shape.

By the Hon. Mr. Béique:

Q. Will you tell us this: Did the company, as a matter of fact, pay for the business done through Moss under that contract of 1897 more than 85 per cent, including the 65 per cent which as a rule was paid to the agents?—A. They did not pay any more than the 85 per cent.

Q. The business did not cost the company any more than the 85 per cent?—A. No, no more than the 85 per cent of the renewal commissions.

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By the Hon. Mr. Wilson :

Q. He asked the question, 'What amount did you pay?' You paid the 85 per cent plus the renewal commission?—A. The total amount of money that was debited was \$628,141.35; the total first year's premiums were \$678,311.02; so that the first year's premiums exceeded the total expenditure by \$50,169.67. Then there accrued \$66,142.59 of renewals.

By the Hon. Mr. Béique :

Q. Apart from the renewals what was paid? The \$66,000 which was paid—A. We did not pay that.

Q. The \$66,000 which are mentioned in the statement as renewal commission, what percentage did the company pay as expenses on that business done through Mr. Moss? What present rate of expense would they pay?—A. It is here.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. What was the percentage?—A. 82'85.

Q. In other words you debit this account with everything advanced to Mr. Moss, or to Mr. Moss's agents, or retained by them or paid by them?—A. Yes, every portion of expense in regard to an individual contract.

Q. You deduct from that amount recorded in the first place the renewal commissions to which Mr. Moss was entitled under the contract?—A. Yes.

Q. Leaving therefore a balance to his credit, \$561,998.76?—A. Yes.

Q. And the gross premiums, \$678,311, and the proportion between the \$561,000 which he owed you and \$678,000 which you received against percentage of the first year's cost of the business—is that it?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. When you spoke of the \$66,000 renewals credited Mr. Moss, did that mean for the whole five years or only for one year?—A. It means the whole five years.

By Mr. Geoffrion, Counsel for the Mutual Reserve.

Q. I see I stated in my question that he owed you \$561,998?—A. It is not what he owed; it is the net cost of the business.

Q. It is what you spent for the business after deducting renewal commissions?—A. Yes, the net amount we spent for the business.

Q. And for which you got \$678,000 premiums?—A. Yes.

Q. Now, about that percentage, or that approximate percentage of cost, can you speak from personal knowledge?—A. I know in a general way that that was the cost of the business, and I have not verified every figure in that report. I have examined these accounts time and time again and am very familiar with them, and have no question whatever as to the correctness of this report and its completeness as to expenditures.

Q. When the \$3,500, or any other amount, was advanced to Mr. Moss for advances to agents under that contract, it was debited to him?—A. It was debited to him in the general manager's account.

Q. When he paid out advances to agents, what was done about the vouchers and the credits and so on?—A. He made a statement of the parties to whom he had made the advances from this sum, presented the vouchers showing that he had made them, and that they had received the amount, which was checked by the auditor, and a book-keeper's warrant or voucher was issued directing the general manager's account to be credited with such amount as was found to have been actually advanced, as proved by vouchers presented.

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Q. As a matter of fact, was he credited for the amounts he stated as having advanced to agents, merely on a list of amounts furnished by him?—A. He had to produce vouchers for it. Mr. Moss was always liable for the full amount until we exchanged discharges at the end.

Q. Then it was a matter of bookkeeping?—A. Yes.

Q. You had an account opened in the name of each agent?—A. Yes.

Q. And whenever the agent got an advance, you had to charge him with that advance?—A. Yes.

Q. In order to keep track of his business?—A. Yes.

Q. And as soon as you charged him with that advance, you had to credit Moss?—A. Yes. It was the only way we could keep it.

Q. That was done only upon the presentation of a voucher showing the amount advanced?—A. Yes.

Q. Either a receipt or cheque endorsed by the agent?—A. Evidence to the auditor that he had received that money.

By the Hon. Mr. Wilson :

Q. I think you stated that a certain amount, \$335,000, was deposited to Mr. Moss's credit?—A. Thirty-five hundred dollars a week.

Q. Deposited to his credit?—A. No.

Q. If that were so, in what way was he responsible to the company other than to the agent? He paid that, as he thought proper, to the agents, did he not?—A. He advanced it to the agents.

Q. And you later on had to look to the agent for the refund?—A. To look to the agent, and to the entire business done under his management.

Q. If he did not get it out to the agent, you would not get the money? You could not look to him for it? You advanced it to him to pay the agents, and you had to look to the agents for it? Was he responsible for getting that amount out of the agents?—A. He was responsible for the entire amount.

Q. You gave him the money, and he was responsible for the repayment of that money by the agents to himself, and he had to pay the money into the society. Is that so?—A. He had to account for the commissions, and for the return of that money?

Q. Then, the agents were responsible to him, and he to the company?—A. Yes.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Will you look in those lists of names of agents which have been filed for identification here, and which I understand from you were annexed to the vouchers authorizing the transfer from Mr. Moss's account to the agents' account, of the advances to agents, and tell us the meaning of those cases where names are struck out from those lists. What is this?—A. This claim by Mr. Moss for credit for advances includes one to H. E. White, struck out before it is allowed, so that the amount of credit asked by him is less the item to Mr. White. We have not the vouchers here.

Q. But are you positive there were vouchers?—A. There were vouchers.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You have seen them yourself?—A. I have not seen them in every instance, but I have seen them in several instances, and it bears the signature of Mr. Hoffecker, that he has examined them.

Q. You have seen the vouchers yourself?—A. I have in many instances, but not all.

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By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. These are credit warrants—is that it ?—A. Bookkeepers' warrants.

Q. Several of these bookkeepers' warrants, instructing the bookkeeper to credit Moss with amounts advances to agents, bear the signature of Mr. Wells, as was pointed out when he was examined?—A. Yes, after these were examined by Mr. Hoffecker, even then the credit could not be given until three officers of the company had signed the order for the credit to be given.

By the Chairman :

Q. What names are on the vouchers ?—A. J. D. Wells, George W. Harper, Chas. W. Camp, Moton D. Moss, and J. D. Baldwin.

Q. Were these parties the executive committee ?—A. They were not the executive committee.

Q. It was not the executive committee who signed ?—A. No.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Any three officers signed ?—A. Yes.

Q. And this was the regular system of bookkeeping of the association under the contract of 1897 and 1898 ?—A. It was the regular system.

Q. And these debit and credit orders which are now before the Committee for investigation, and which bear the signature of Mr. Wells, relate exactly to those transfers from the account of Mr. Moss?—A. No, the account of Mr. Moss as general manager, of those amounts.

By the Chairman :

Q. Do I understand that in dealing with Mr. Moss, you had two accounts ? Did he have two accounts with the company ?—A. Yes.

Q. What you would call a special account and a regular account ?—A. Yes, general manager's account and a personal account.

Q. I mean his own account ?—A. Yes.

Q. That would be like a special account and a regular account ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. There was another account in which Mr. Moss remained charged with all the advances made to agents, until they were paid by him or by the agents?—A. No.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. As far as the matter of book-keeping was concerned, the amount he advanced did not appear to him, charged in the books, the moment they were advanced and properly accounted for by voucher ?—A. Yes.

Q. But at the closing of his account the amounts due by agents to him were charged to him ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. And when was it charged to his account ?—A. It is in the various accounts consolidated and presented in that sheet, the entire amount that was to the debit of the agents that had been employed by him. ,

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. As to the agents' accounts, once the amounts that they received had been charged to them, when they obtained the policy they were credited with their commissions, and debited with whatever proportion of the premium they did not forward ?—A. When the premium came in, when the settlement was made for the policy, they

were charged with any amount that they retained, and credited with their commission.

Q. Of sixty-five?—A. Yes.

Q. So they remained debited with the amount advanced to them, and with whatever amount they retained out of the premium, if they retained anything, and credited with their commission of sixty-five?—A. Yes.

Q. And Mr. Moss's personal account was credited with his twenty per cent?—A. It was at the close of the year, and not before.

Q. And when you closed accounts with him, you lumped in all those agents' accounts, and charged the debit balances of those agents' accounts to him?—A. I do not know that that was actually done upon the books of the company, but that is the way in which the account has been treated and is treated.

Q. But from the point of view of settlement?—A. That is what was done.

Q. If you had not given him a release in exchange of his having transferred to you deferred premiums and renewal premiums, that is what would have been done?—A. Yes, and that is in essence what has been done.

Q. But in view of the fact that you gave him a release of his indebtedness to the association in exchange for his transferring to you the deferred premiums that belonged to him?—A. That those actual amounts were transferred in a lump on the books to his account, I am not prepared to say.

Q. But in his statement, in which the cost is shown to be less than eighty-five per cent?—A. Other agents' balances are debited to Mr. Moss.

Q. So that, by that system of book-keeping, the association made no loss?—A. No.

Q. And even assuming the contract would have been altered, as stated by Mr. Burnham, the alteration did not change the carrying out of it?—A. There was no change from the beginning to the end, in the method of carrying out the contract, or keeping the accounts.

Q. And they were kept in accordance with the terms of the contract as originally drafted?—A. As the executive committee understood the contracts, yes, and as I personally understand it.

Q. You know nothing about that alleged change in the contract?—A. I never heard of it, until the charges were laid with the Insurance Department in 1899.

Q. Do you see any difference in the meaning of the contract, and the alleged—
Mr. COSTER objects.

Question withdrawn.

Q. Then there was a final warrant drawn, when Mr. Moss left, for the purpose of closing all his accounts and meeting his commissions, and so on?—A. Yes.

Q. This document reads as follows:—

EXHIBIT No. 51.

No. 5774. \$37,390.

NEW YORK, July 27, 1898.

The bookkeeper of the Mutual Reserve Fund Life Association will credit Moton D. Moss, general manager, \$8,352.34 Moton D. Moss special account \$29,038.63, thirty thousand three hundred and ninety 97-100 dollars (\$37,390.97), and charge the same to account of committed commissions.

In discharge of first year commissions accrued and to accrue and in discharge of renewal commissions accrued and commutation and discharge of renewal commissions to accrue under contracts between the association and the said Moss, in accordance with the general release executed July 23, 1898, and approved and ratified by the board of directors under date of July 27, 1898.

By order of the Executive Committee.

J. D. WELLS.
GEO. D. ELDRIDGE.
GEO. BURNHAM, JR.

Entered Journal H. folio 63, J. A. H.

Examined: August 5, 1898.

E. A. Powers.

APPENDIX No. 1

Mr. Moton D. Moss, Special account (1896 account) in account with Mutual Reserve Fund Life Association.

		\$	cts.	\$	cts.
Aug. 1	To Balance, account rendered,	29,038	63		
July 23	Inactive agents, account Dr.	29,038	63		
	M. D. Moss special account, transfer to balance the account.			29,038	63

Mr. Moton D. Moss, General Manager, in account with Mutual Reserve Fund Life Association.

		\$	cts.	\$	cts.
Aug. 2	To Balance	8,352	34		
	Inactive account Dr.	8,352	34		
July 23	Moton D. Moss, transfer to close this account			8,352	34

Annexed to this voucher there is a special account of Moton D. Moss, showing a balance of \$29,038.63, which this credit order would balance?—A. Yes.

Q. And did balance?—A. Yes.

Q. And there is another account, Moton D. Moss, general manager, in account with the Mutual Reserve Fund Life Association, showing a balance against him of \$8,352.34?—A. Yes, inactive account, Dr., July 23, Moton D. Moss.

Q. The item of \$8,352 is also balanced by the credit order just referred to. That is correct?—A. Yes.

Q. In other words, the two accounts mentioned in that year were exactly to offset his debit balance?—A. Yes.

The Committee then adjourned.

PART 8.

OTTAWA, WEDNESDAY, July 20, 1904.

The Committee met at 10 a.m.

Examination of Mr. GEORGE D. ELDRIDGE, continued.

By Mr. Geoffrion, Counsel for the Company :

Q. Will you please look at the document now shown you and tell us if it is what it purports to be, a certificate copy by the clerk of the Court of the General Sessions of the Peace of the city and county of New York, of an indorsement on an indictment, filed June 4, 1901, by the Grand Jury of New York county against one James Thomson Paterson, for libel, and whether this refers to the indictment to which reference has been made in the cross-examination of Mr. Paterson, the indictment taken against him for libel referred to in this Committee?

Objected to by Counsel for the Committee unless the whole document is produced, this purporting to be only a certificated copy of an indorsement?—A. It is. I herewith tender this evidence as Exhibit No. 52 and ask that it be incorporated in the deposition.

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EXHIBIT No. 52.

I, EDWARD R. CARROLL, Clerk of the Court of General Sessions of the Peace, of the City and County of New York, held in and for the county of New York, do hereby certify that the annexed is a copy of an indorsement on an indictment filed June 4, 1901, by the Grand Jury, in and for the county of New York, against one James Thomson Paterson, for the Misdemeanor of Publishing a Libel, and of a certain letter mentioned in said indorsement now on file in the clerk's office, and that the same has been compared by me with the original, and is a correct transcript therefrom and of the whole of such original.

[SEAL] Given under my hand and attested by the seal of the said Court this eighteenth day of July, in the year of our Lord one thousand nine hundred and four.

EDWARD R. CARROLL.

This is an indictment for libel by the defendant Paterson of a corporation, known as the Mutual Reserve Fund Life Association. While the defendant may be guilty of a technical libel I am very doubtful if upon a trial a conviction would ensue owing to the technical nature of the evidence for the prosecution and the extreme difficulty of convincing a jury of the defendant's guilt. The alleged libellous article appeared in an insurance publication of which defendant was editor and proprietor and which he has ceased publishing since this indictment was found. The defendant before the filing of this indictment has always borne an excellent character. The newspaper attacks upon the complainant company have ceased and the company has expressed its willingness to have this indictment dismissed, as witness a letter from its vice-president, George D. Eldridge, herewith filed. In view of those facts and in order that the people may not be put to the unnecessary expense of a trial, I respectfully move the dismissal of this indictment.

JAMES LINDSAY GORDON,
D. Asst. Dist. Attorney.
September 29, 1901.

Approved, EUGENE A. PHILBIN,
District Attorney.

The dismissal of the indictment rather than discharge of bail merely is moved because it is impossible for the defendant in endeavouring to form business connections with insurance companies must give bond, which he cannot do with the indictment against him still pending.

J. L. GORDON.

September 30, 1901.

Hon. WARREN W. FOSTER,
Judge of the Court of General Sessions,
Criminal Court Building, New York City.

DEAR SIR,—The Mutual Reserve Fund Life Association, of which I am the vice-president, having made some months ago a complaint for criminal libel against Mr. J. Thomson Paterson, and an indictment having been found upon that complaint, I am now advised that for reasons which appear sufficient to him it is the intention of the District Attorney to move for the dismissal of that indictment.

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APPENDIX No. 1

On behalf of the complainant I would say, under the conditions as they now exist, it has no objection to the dismissal of the indictment in question, nor has it any pecuniary interest either in having the indictment dismissed or allowed to stand.

Very respectfully yours,

GEO. D. ELDRIDGE.

Q. At whose request did you write the letter referred to ?—A. At the request of Mr. Gordon, the deputy assistant attorney.

Q. Had you been informed then of the fact mentioned in the endorsement of the district attorney, that the newspaper ceased to be published, and the attacks complained of had ceased ?

(Objected to by Counsel for Committee as hearsay. Question allowed.)

A. Mr. Gordon, at the time of asking for the letter, made that statement to me.

Q. You did not succeed in obtaining any letter from Mr. Paterson ?—A. We did not. We found no corresponding letter to mine in the court filed with this.

Q. How did you come to be under the impresssion that there was such a letter the other day ?—A. Mr. Gordon made the statement to me of the discontinuance, and asked a letter from me to the judge, and I got an impression from his request that a similar letter was to be given to the judge by Mr. Paterson or his attorneys.

By the Hon. Mr. Wilson :

Q. You got an impression ?—A. Yes.

Q. Did he state so ?—A. No, it was an impression.

By Mr. Geoffrion, Counsel for the Company :

Q. From the fact that he was exacting from you a similar letter ?—A. Yes.

Q. Have you prepared statements showing the ratio of expenses of the Mutual Reserve as compared with other companies ?—A. I have to a certain extent.

Q. Will you please file and explain whatever statements you have so far prepared ?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Is this statement taken from the insurance reports ?—A. Yes, I tendered this document in evidence as Exhibit 53a.

No. 5774.

EXHIBIT No. 53a.

'I.'—AS TO EXPENSES IN CANADA.

Basis of Comparison.—Expenses in Canada per \$1,000 of insurance carried in one year by : (a) English companies doing business in Canada ; (b) American companies doing business in Canada.

Year.	(a)	(b)	Mutual Reserve.
1895..	\$6 96	\$5 59	\$3 77
1896..	6 73	5 29	2 87
1897..	6 50	5 48	2 51
1898..	6 68	6 29	2 64
1899..	6 90	7 35	2 68
1900..	7 19	7 77	1 96
1901..	6 47	8 09	2 50
1902..	6 58	8 05	2 01
1903..	6 66	7 86	1 50
Totals..	\$6 77	\$7 04	\$2 63

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This document, headed 'L,' relates to the expenses in Canada, first (a) of English companies doing business in Canada, second (b) of American companies doing business in Canada, and, third, of the Mutual Reserve, based on the amount of expense for each \$1,000 of insurance carried, an average of one year for each year from 1895 to 1903, by both inclusive.

Q. You mean the expenses in Canada?—A. In Canada of the various companies doing business here.

By the Hon. Mr. Wilson :

Q. Is there a similar statement of your company, as the others, or do you cover greater ground with this?—A. No, it is confined to the same.

By Mr. Geoffrion, Counsel for the Company :

Q. The basis of comparison is the same?—A. Yes, taken from the blue-book published by the Insurance Department of Canada.

By the Hon. Mr. Landry :

Q. Who prepared that document?—A. I prepared it.

Q. Yourself?—A. Yes. It embraces all the English companies doing business in Canada as given in the blue-book. It embraces all the American companies doing business in Canada as given in the blue-book, and the figures on which those ratios are based are taken from the expenditure tables in 1900, XCVIII., and the corresponding tables in other years.

Q. What are they called?—A. Table showing the cash expenditure of Canadian companies doing life insurance, and cash expenditure in Canada of British and American companies in that branch.

Q. There are three columns; (a) represents what?—A. The British, (b) the American. It is simply confined to Canadian expenses.

Q. The third column is the Mutual Reserve?—A. Yes.

By Mr. Geoffrion, Counsel for the Company :

Q. I understand this applies only to companies whose head offices are outside of Canada?—A. Yes. The third column represents the expenses in Canada of the Mutual Reserve alone.

Q. That, of course, does not include all the expenses chargeable to the Canadian policy-holders?—A. No, it is only the moneys actually expended in Canada so far as that exhibit is concerned.

Q. You say this is correct?—A. It is correct.

Q. The English companies, from this statement, spent an average for all those years, 1895 to 1903, both inclusive, of \$6.77 per thousand of life insurance?—A. Yes, carried for an average of one year.

Q. And the American companies spent an average of \$7.04?—A. Yes.

Q. And the Mutual Reserve an average of \$2.63?—A. It did. That covers all expenditures in Canada.

By the Hon. Mr. Wilson :

Q. Do you give the expenditures in the United States?—A. Not in that exhibit.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. I understand you are taking the same basis of calculation?—A. Yes.

Q. Does it include legal expenses?—A. It includes everything expended in Canada as laid down in the blue-book.

APPENDIX No. 1

By the Hon. Mr. Lougheed :

Q. On the charges against that, of the proportion which Canada should bear of the management of the head office?—A. There are charges in addition, but I will make that clear in another column. This second sheet, Exhibit 53b, relates to the gross expenses charged to Canadian business. The basis of comparison is expenses for \$1,000 of insurance carried one year, and the comparison is made with Canadian companies on their entire business. First, taking from the same sources, I give a column 'a' showing the expenses per thousand dollars of insurance carried of all Canadian companies engaged in business each year as shown by the blue-book, but as that includes local and new business, &c., in order to get what seems a fairer basis of comparison, I take all companies that were in existence prior to 1885, and that are doing business outside of Canada, so as to get a general business, and give the same in column 'b,' the expenses per thousand dollars of insurance carried one year, and of course that gives a lower rate, they being older companies and doing a more extended business. This is for every year from 1895 to 1903 inclusive. Then, in the third column, I give the expenses per thousand borne by the Canadian members of the Mutual Reserve, including their share of all their expenses for maintenance in the general office.

EXHIBIT No. 53a.

AS TO GROSS EXPENSES CHARGED CANADIAN BUSINESS, 1895 TO 1903.

Basis of comparison:—Expenses per \$1,000 of insurance carried one year by (a) all Canadian companies engaged in business each one year as shown by the blue-book ; (b) those Canadian companies in existence prior to 1885 which do business outside of Canada as shown by the blue book.

Dividends on capital are not counted in expenses.

Expenses of the assessment business of the Mutual Reserve in Canada are \$1,094,-339; based on total receipts, less payments to policy-holders and sums invested for deposit. This is made up of membership and medical fees \$196,894, and other expenses proportioned to business carried \$897,445.

Year.	(a)	(b)	Mutual Reserve.
1895..	\$8 76	8 57	5 93
1896..	8 54	8 06	4 61
1897..	9 51	8 70	4 52
1898..	9 82	8 80	5 29
1899..	9 91	8 53	5 49
1900..	10 64	9 66	5 92
1901..	10 34	9 33	8 31
1902..	10 93	9 61	8 27
1903..	11 70	10 39	7 99
Totals..	\$10 20	\$9 06	\$5 66

By Mr. Geoffrion, Counsel for the Company :

Q. Column 'a' which gives the ratio of expense to each thousand dollars of insurance for all Canadian companies, as shown by the blue-book, gives for the years 1895 to 1903, both inclusive, a percentage of \$10.20.—A. These are the gross expenses of the company. As far as the Mutual Reserve is concerned, it is the gross expenditure charged to Canadian business every year, and I compare it with the rate of expense to each thousand dollars in those other companies.

By the Hon. Mr. McMullen :

Q. You keep the Canadian account separate by itself?—A. We do not keep the Canadian account separate by itself, but I have, at the request of Mr. Béique, made
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an apportionment of the general expenses of the company, showing what proportion is properly chargeable on the basis of the average business carried, and the general expenses and the Canadian business, and from that I have taken that column.

Q. Can you say what proportion of rates the Canadian business should bear?—
A. I did not distribute them item by item with the legal and rent expenses to make the aggregate expenses of the company outside of membership fees and medical fees. Membership fees and medical fees depend on the fact of doing new business or not doing new business. Outside of that the expenses of the company I distributed on each thousand dollars worth of business carried everywhere so much. Then I added to that, and in Canada this gives the average amount done in Canada. Having added the expense outside of medical fees and admission fees, the rate per thousand of the general expenses, then I determined from this mean amount of insurance in force the amount apportionable to Canada each year, and add to that the membership fees and medical fees collected in Canada, giving as a result the total amount of expenses chargeable to Canada.

By the Hon. Mr. Wilson :

Q. Why did you eliminate the charges making a difference between Canada and the United States?—A. I did not treat it differently in Canada from the United States.

Q. Your statement indicates it?—A. I charged to each country the membership fees and medical fees collected in that country, because they would be there expended, and it was in favour of Canada, because I had divided the medical fees and membership fees received everywhere into the business during these years that we have been doing any business in Canada on the assessment plan, it would have made the Canadian members contribute towards the expense of membership fees, &c., taking their shares of it in other countries, which, of course, would not be proper as long as there were none collected or expended here, but outside of membership fees and medical fees, I distributed the entire expenses of the company, no matter where contracted, over the business actually in force per thousand dollars, treated Canada and the United States and other countries the same.

By the Chairman :

Q. I understand it would be easy to figure that out according to the returns of the books, but are you in a position to say actually what Canada contributed? Of course you can take the general amount of expenses and apportion them to the different countries. That is a matter of figuring, but as a matter of fact can you give a statement to the Committee of what Canada paid?—A. We keep, of course, the amount of income from and the expenditure in Canada. The actual expenses chargeable to Canada on this basis of business from 1885 to 1903 was \$1,735,668. The proportionate amount for that time was \$1,792,229, and the actual contribution was \$1,735,668.

By Mr. Geoffrion, Counsel for the Company :

Q. Can you not arrive at the actual contribution of Canada to expenses by putting on one side the amount collected in Canada, deducting from it the amount paid in death losses in Canada and the amount still remaining to the credit of the policyholders in Canada?—A. That is what determines the actual amount they have contributed either towards expenses or towards the general mortality of the company. What this exhibit is for, is for the purpose of showing that upon a proper basis of apportionment of all the expenses to all the business, Canada has not been called to contribute more than its proper share.

Q. When you say this exhibit, you mean Exhibit 54, which I now mark merely for the purpose of identification, as I will take it up later on?—A. Yes.

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By the Hon. Mr. McMullen.

Q. On this exhibit that is marked 53 b, you give us a statement of companies doing business in Canada as compared with the Mutual Reserve. Are those joint stock companies?—A. I understand that all of your companies are. They are legal reserve companies. There is one mutual company, I understand, the Mutual of Canada.

Q. You understand that this abstract you have taken refers almost entirely to joint stock companies. Now, if you wanted to make a fair comparison, why did you not give us a comparison with mutual companies, that is, companies conducted on a cheap plan, such as you claim to conduct yours. You take stock companies and put them in comparison with the Mutual Reserve; now, stock companies have expenses that mutual companies do not have at all, expenses in connection with the investment of their money, which costs a great deal both in paying agents and in making investments, in paying lawyers' fees, and so on—you have no expenses of that kind, because you have no money to invest?—A. Is that so.

Q. The policies have no surrender value?—A. That is so, but we have money to invest.

Q. When you said the policy had no surrender value, it means they have no money behind them?—A. The assessment policies have no guaranteed or stated surrender value. Our legal reserve policies all have a surrender value.

Q. What about the stock companies? Are not all these stock companies?—A. All, with the exception of the Mutual of Canada.

Q. The Ontario Mutual?—A. Yes.

Q. They are all stock companies, and you make a comparison between stock companies that have expenses of a kind that you do not have at all, in place of making a comparison with assessment companies. There are assessment companies in Canada; why not give a comparison with them?—A. I am told ours is the only assessment company.

Q. Oh, no, there is the Ancient Order of United Workmen?—A. That is a fraternal organization; it is not an assessment company.

Q. It is in a sense?—A. It is not the same as ours, because we have expenses that they have not.

By the Hon. Mr. Béique:

Q. The objection raised by the Hon. Mr. McMullen is that it is not a fair comparison to compare your company, which is an assessment company, with these Canadian joint stock companies. What have you to say to that?—A. In the first place, we have done a general business, competing with these companies, involved in the same expenses for getting business, excepting so far as I explained yesterday, those expenses were modified during the time when the claim would be made that it was exceedingly cheap and the advantage got of that.

Q. That was before 1895?—A. Before 1895. More than that, from the time the present management went in in 1895, the company has shaped its course to the establishing of itself upon a legal reserve basis, and in point of fact it has done business in Canada since 1899 as a legal reserve company, and in Massachusetts since 1900, and all of its rates since 1898—the latter part of 1898 and early part of 1899—have been legal reserve rates, and it has done a legal reserve business the same as the others.

Q. As far as you are concerned, do I understand that you consider the comparison fair?—A. I consider it is the fairest comparison that could be made. I do not claim that it is an absolute comparison by any manner of means. I simply present it as the fairest comparison that could be presented.

Hon. Mr. McMULLEN.—There is the Independent Order of Foresters; you could have given that along with the others?

Hon. Mr. BÉIQUE.—I would invite the witness to make a comparison with the Independent Order of Foresters.

The WITNESS.—I will do it.

By the Hon. Mr. Landry:

Q. In this statement the figures given for the Mutual Reserve Fund represent the expenses on the Canadian business?—A. No, that represents the total expenses of the company. The share of the business in Canada—their share of the entire expenses of the company.

Q. Compared with the entire expenses of the others?—A. Yes, it is the entire expense charged to those compared with the entire expense charged to the other.

By Mr. Geoffrion, Counsel for the Company:

Q. In order to arrive at the ratio of expense charged to the Canadian companies, have you taken as a basis the difference between the amount contributed by them and the amount returned to them for death losses, and the amount of money deposited here?—A. That has been found in their contribution to the expenses.

Q. You charge them as expenses every single dollar that has not been returned to them or deposited in Canada?—A. Yes.

By the Hon. Mr. Béique:

Q. Then you cover the amount of some \$728,000 which appears in the evidence?—A. Yes.

By Mr. Geoffrion, Counsel for the Company:

Q. The average expenses from 1895 to 1903 of the Mutual Reserve would be \$5.66 per thousand?—A. Yes.

Q. The average expenses indicated in column 'b' being companies incorporated before 1885—over ten years before—which do business both in Canada and outside, would be from 1895 to 1903, \$9.06 per annum?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. How many?—A. Six; I will give the names—The Canada Life, the Confederation Life, the Manufacturers Life, the North American Life, the Ontario Mutual and the Sun Life of Montreal.

By the Hon. Mr. McMullen:

Q. These are virtually old line companies?—A. They are all old line companies.

By Mr. Geoffrion, Counsel for the Company:

Q. Column 'a,' which gives the expenses from 1895 to 1903 of all Canadian companies, shows an average of \$10.20 per thousand?—A. Yes.

Q. This is compiled from the blue-book, you state, and is correct?—A. It is compiled from the blue-book and is correct.

Q. Will you please file your next statement?—A. The next statement, 53c, deals with the question of whether there has been a material increase or not in the share of expenses charged to Canadian policy-holders under the present management of the company.

EXHIBIT No. 53 C.

As to gross expenses charged Canadian business, (a) 1885 to 1894; (b) 1895 to 1903.

Basis of comparison: Expenses per \$1,000 of insurance carried one year.

All moneys received in Canada on assessment business, and not returned to policy-holders or invested for deposit are counted as expenses.

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The total amount is \$1,735,668, of which \$715,049 was received from 1885 to 1894, and \$1,020,619 from 1895 to 1903. For the purpose of this comparison, however, the expenses of the first period are placed at \$641,329, and of the second at \$1,094,339, the division being made on the basis of actual expenses to proportionate Canadian expenses before determined.

Year.		Year.	
1885.....	\$5 05	1895.....	\$5 93
1886.....	5 83	1896.....	4 61
1887.....	5 11	1897.....	4 52
1888.....	4 91	1898.....	5 29
1889.....	4 86	1899.....	5 49
1890.....	5 02	1900.....	5 92
1891.....	5 27	1901.....	8 31
1892.....	5 34	1902.....	8 27
1893.....	5 89	1903.....	7 89
1894.....	6 20		
	<hr/>		<hr/>
Totals.....	\$5 45	Totals.....	\$5 66

By the Hon. Mr. Lougheed :

Q. From what date do you consider the present management begun ?—A. From the 1st January, 1895.

By Mr. Coster, K.C., Counsel for the Company :

Q. When did you join the company ?—A. I went with the company in 1894.

Q. And when did Mr. Burnham go with it ?—A. My impression is, in 1890.

Q. Was it not in 1889 ?—A. My impression is it was in 1890 as counsel.

By Mr. Geoffrion, Counsel for the Company :

Q. He entered as president only in 1895 ?—A. He became president in 1895. This statement gives simply the expenses per thousand of insurance.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Are the head office expenses and everything taken into that ?—A. All expenses are taken into consideration. This is the total amount per thousand dollars insurance.

Q. In the States ?—A. This is the share of each thousand dollars of insurance carried in Canada in all the expenditures of the company for each year.

By Mr. Geoffrion, Counsel for the Company :

Q. The remark is made about it representing at least the total difference between the amount contributed by the members and the amount returned to them and the amount deposited ?—A. It is the distribution of the entire amount of \$1,735,669 which the Canadian policy-holders have contributed towards the entire expenses of the company. It runs from 1884 to 1895, one division, and 1895 to 1903, both inclusive, in the other. The average expenses are \$5.45 from 1885 to 1894, and \$5.66 from 1895 to 1903, and it shows in each year.

Q. Exhibit 53c is taken from the blue-books, and is correct ?—A. These are the figures returned to the Canadian department year by year of income and outgo, &c., as determined from these ratios.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Those figures are not shown in the books ?—A. Oh, no.

Q. You made those up yourself ?—A. All those figures I made up myself.

Q. On some method of your own?

(Counsel for the company objects to the cross-examination of witness until the direct examination is closed.)

By Mr. Geoffrion, Counsel for the Company :

Q. Is Exhibit 53c a correct calculation based upon the figures appearing in the blue-books?—A. It is.

Q. Reference has been made to the choice that you made of the six Canadian companies in Exhibit 53b. Is the effect of your choice that the ratio of expenses for those six companies is larger than it would have been by choosing others?—A. The column (a) gives all the Canadian companies, and, as I explained, I did not regard that as fair, because it did not include the younger and smaller companies, and therefore I took the older companies and those doing most business for column (b), with the result that the ratio of expenses was reduced materially from column (1), and not increased. I think it is a fairer basis of comparison.

By the Hon. Mr. McMullen :

Q. Did you take all the old line companies doing business before 1895?—A. I do not know.

Q. Are you prepared to say there were only six companies in Canada doing business before 1895?—A. I do not know whether there were or not.

Q. Did you take all the companies doing business in Canada before 1895, and were there only six?—A. That is my impression, but I am not certain in regard to that. The companies we did take were the companies in existence prior to 1885, which are doing both a Canadian and a foreign business, so as to get the broadest basis.

By Mr. Geoffrion, Counsel for the Company :

Q. Please look at statement 53b, and tell us on what that is based, how it was prepared and whether it is correct?—A. It is based upon the sworn reports of the company to the New York Insurance Department, with the single exception that in those years in which the company did not report its membership fees to the New York Insurance Department, the membership fees are added both to the income and the outgo, so as to get the uniform basis.

EXHIBIT No. 53 D.

As to gross expenses, (a) total business; (b) business outside of Canada; (c) Canada business.

Basis of comparison:—Expenses per \$1,000 of insurance carried one year:

Year.	(a)	(b)	(c)
1885.....	\$ 5 26	\$ 5 27	\$ 5 05
1886.....	4 67	4 61	5 83
1887.....	4 24	4 19	5 11
1888.....	4 17	4 12	4 91
1889.....	4 25	4 21	4 86
1890.....	4 36	4 31	5 02
1891.....	4 66	4 61	5 27
1892.....	4 82	4 78	5 34
1893.....	5 21	5 16	5 89
1894.....	5 60	5 66	6 20
1895.....	5 84	5 84	5 93
1896.....	5 04	5 08	4 61
1897.....	5 75	5 90	4 52
1898.....	6 28	6 40	5 29
1899.....	6 17	6 26	5 49
1900.....	7 17	7 32	5 92
1901.....	10 71	10 90	8 31
1902.....	11 04	11 22	8 27
1903.....	11 49	11 74	7 99
Totals.....	\$5 96	\$5 99	\$5 58

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By the Hon. Mr. Béique:

Q. Is this taken from the books?—A. It is taken from the books.

By Mr. Coster, K.C., Counsel for Committee:

Q. And they all can be taken by anybody from the reports?—A. Except the corrected item of the membership fees which were not returned. You will find in the early years of the company, that with some \$30,000,000 business done, it returned only \$417 membership fees. To make a just comparison you have to introduce the correct return.

Q. And you get that from the books of the company, do you?—A. I get that by the scale adopted by the Canadian department in dealing with the same question of \$5 per thousand membership fees.

By Mr. Geoffrion, Counsel for the Company:

Q. Can you say for what years?—A. The sworn reports will show it.

Q. Are those figures correct?—A. They are.

Q. What do they give?—A. They give in column 'a' the amount of expense to each thousand dollars of insurance carried, taking into account the total business of the company. From this total business each year I deduct the insurance carried in Canada, and the expenses charged to the Canadian business, and determine in column 'b' the dollars of expense charged to each thousand dollars of insurance outside of Canada. Column 3 reproduces the Exhibit 53c, showing the expenses per thousand dollars charged to Canadian business, and given here for the purposes of comparison.

Q. This statement, Exhibit 53b, deals only with the Mutual Reserve?—A. Only with the Mutual Reserve.

Q. The first column gives the general expenses of the company for all its business in and out of Canada?—A. Yes.

Q. Column 'b' gives the expenses on the business of the company throughout the world, exclusive of Canada?—A. Yes.

Q. And 'c' the expenses on Canadian business?—A. Yes.

Q. But 'c' includes all that is charged to Canadian business, whether expenditure inside of Canada or outside of Canada?—A. Yes.

Q. The general expenses throughout the world are equivalent to \$5.96 per thousand?—A. Yes.

Q. Throughout the world, outside of Canada, the general expenses paid by policyholders amount to \$5.99 per thousand?—A. Yes.

Q. And all expenses charged to Canadian policyholders amount to \$5.58 per thousand?—A. Yes.

By the Hon. Mr. McMullen:

Q. You directed the Committee's attention a short time ago to a comparison between a certain number of Canadian companies that had been in existence prior to 1885, and you compared their cost per thousand with the cost per thousand of the Mutual Reserve Life. You show that in one case it is from \$9 odd for expenses, and the other \$10, while there was only some \$5.66 per thousand expenses in connection with the Mutual Reserve. Do not the old line companies, the joint stock companies, do a business different altogether from your line of business, and a more expensive business? For instance, they issue limited life policies and endowment policies?—A. Yes.

Q. Do you do anything of that kind?—A. Yes.

Q. Only since 1899?—A. I think it was 1897 we began to issue limited payment policies. I think we issued the first limited payment policies in 1898.

Q. This goes back to 1885. A very large amount of the joint stock companies business is in limited life and endowment policies, and you, as an insurance man,

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know that that business is much more expensive than the ordinary straight life business?—A. No. I do not know that.

Q. Do you not know that they pay almost double the amount in yearly premiums?—A. That is true, but the expenses on it are not larger.

Q. But they pay double the amount yearly for such policies, and as a rule it is more expensive getting them than getting ordinary life policies, and a great deal of your comparison is useless?—A. On those policies they do not pay the same rate of commission that they do on the ordinary life policies.

Hon. Mr. McMULLEN.—I know that in most companies the rate on limited life policies is higher and the commissions are higher than on straight life.

By Mr. Geoffrion, Counsel for the Company :

Q. Is the percentage higher?—A. I know of none in which they are as high as to percentage, except the twenty pay life. That is usually the same as full life, but on fifteen-year the percentage is less than the whole life.

Q. The percentage would be lower, but the amount would be higher if the premium is higher?—A. That might be. Usually the ten years they pay the same commission as straight life.

By the Hon. Mr. McMullen :

Q. In the joint stock companies, too, do not the joint stock companies pay the doctor out of the fees they receive?—A. Yes.

Q. And in your case you require the applicant to pay his own doctor's fee?—A. Not since 1895.

Q. That is what you do on straight life business?—A. That is charged into the expenses, whether paid by the applicant or not.

By the Hon. Mr. Sullivan :

Q. What do you pay a doctor?—A. Our usual fee is \$3.

Q. Does he make a microscopic examination for that?—A. No, a microscopic examination costs \$5.

By Mr. Geoffrion, Counsel for the Company :

Q. The senator has stated, and I know it is correct, that the premiums on limited policies, say twenty-year or ten or fifteen-year endowment policies, are much higher than on ordinary life?—A. Yes.

Q. But, as a consequence, would not the amount of expenses in order to increase that business be larger than the amount of expenses to obtain ordinary life business and nevertheless the percentage be not larger?—A. Yes.

Q. Your figures are based on percentages?—A. No, my figures are based on the \$1,000 risk and the expenses for each thousand dollars.

By the Hon. Mr. McMullen :

Q. Which included endowments and limited life?—A. Yes, and it does with our own company, since it begun that business. All of it for the last four or five years has been legal reserve rates, and a large proportion of our present policies are limited pay—twenty years.

By Mr. Geoffrion, Counsel for the Company :

Q. Will you please look at this other statement marked 53e, and tell us how you prepared it and whether it is correct?—A. As to expenses of companies doing business in New York—

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EXHIBIT 53e.

- (A.) Companies incorporated in New York.
- (B.) Companies incorporated outside of New York.
- (C.) Combined amounts.

Basis of comparison : Expenses per \$1,000 of insurance carried one year.

Figures from published reports of New York Insurance Department for each alternate year.

Total amount of insurance carried :

(a) \$19,955,820,000 ; (b) \$12,554,682,000 ; (c) \$32,510,502,000.

	(a.)	(b.)	(c.)
1892.....	\$ 10 28	\$ 9 85	\$ 10 13
1894.....	10 33	9 20	9 93
1896.....	10 24	10 59	10 37
1898.....	10 21	10 75	10 42
1900.....	10 88	11 72	11 21
1902.....	11 79	11 18	11 54
Totals.....	\$ 10 73	\$ 10 71	\$ 10 72

A. I took it from the sworn report of the New York Insurance Department for the years named, and it is correct.

By Mr. Coster, K.C., Counsel for the Committee:

Q. That is all from the sworn reports?—A. Yes.

Q. We can get all that is in the reports?—A. Yes. This is taken from the two tables published in the New York reports, the one disbursements and the other insurance in force.

Q. This does not apply alone to the New York Mutual Reserve?—A. No.

Q. This is a comparison between general companies?—A. It is to show the amount of expense for \$1,000, the mean insurance carried first by all New York companies, second by all companies of other states authorized to do business in New York, and third, a combination of the two. For the purpose of verification, I might say that from the New York companies I have omitted the Metropolitan life, and from the companies outside of New York I omitted the Prudential Life, because they do an industrial business almost entirely, the expenses of which are very much larger than the ordinary business, and it did not seem to be fair to include them. It would have increased the expense a couple of dollars per thousand average, and it gives the alternate years from 1892 to 1900.

Q. You have prepared a statement with explanations, which has been referred to as Exhibit 54. Could you tell us from where the figures in that statement were taken, and whether they are correct?—A. They are taken from the books of the company, and prepared by the controller—certain of the figures are taken from the books of the company. The determination of the main amount of risks is taken from the sworn report of the various departments.

By the Hon. Mr. Beique :

Q. Taken from all sources?—A. Yes.

Q. One from the sworn reports, and the balance from the books of the company?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee :

Q. And you took it from the books yourself?—A. The main amount of insurance I took from the sworn reports.

Q. Did you take it from the books of the company yourself?—A. I did not. The Hon. Senator Béique asked me with reference to the statement which has already been put in, Exhibit 12, which gave the figures for Canada and the United States, to give the same figures for the foreign business, and that has been compiled, and is given in these various exhibits. While I did not check the figures myself, I checked the items from the books, and verified them by comparison with the sworn statements to the Insurance Departments, so as to satisfy myself that these figures are correct as far as I could, in the mass of figures.

By the Hon. Mr. Béique :

Q. They were prepared by your instructions?—A. Yes.

By the Chairman :

Q. Who prepared them?—A. The controller of the company and his office force, that is, so far as they were taken from the books of the company, to make the division between foreign and the other, and the concluding pages, are the apportionment of the Canadian expenses, on the basis of the general expenses, and the two opening pages explain the method in which it was done. It was in compliance with a request specially made by Senator Béique for that.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. It is correct?—A. It is correct.

By the Hon. Mr. McSweeney :

Q. It is the same as you submitted July 28, 1898?—A. This covers the foreign business—that is business outside of the United States and Canada, which the other figures did not cover.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. That is all business of the company?—A. The entire business of the company.

By the Hon. Mr. Wilson :

Q. You did not compare all the items?—A. Oh, no.

Q. Then only comparatively, you think it is correct?—A. I compiled it in answer to Hon. Senator Béique's request. Exhibit 54 reads as follows :—

EXHIBIT No. 54.

In the Matter of the Determination of the Proper Share of Expenses Chargeable to the Canadian Assessment Business.

The proper basis for determining the distribution of expenses is the amount of insurance carried for an average of one year, that is, the mean amount of insurance at risk.

On the first sheet herewith is given, for one year during which the company has been in business in Canada, the total mean amount of insurance carried by the company during the year, and also the mean amount of assessment business in Canada so carried. The exhibit is divided into two periods, the first covering 1885 to 1894, both inclusive, and the second 1895 to 1903, both inclusive, the first period being that preceding the present management, and the second period that of the present management.

The second, third and fourth pages give the facts, first, for the first period named; second, for the second period named, and, third, for the total nineteen years, covering total income, membership and medical fees, total expenses, expenses less membership and medical fees, and payments to members.

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Membership and medical fees (which after these fees cease to be distinctly charged were covered by the first year's premiums) relate entirely to the production of new business, and vary materially with such production. While all other expenses are properly distributable by the mean amount of insurance carried, these expenses are affected entirely by the amount of new business written, and since these fees are in practice expended in the country where they are received, they should be treated separately, and for that reason these figures are presented in the manner indicated.

Pages 5, 6 and 7 are a *resumé* of the figures presented on the three preceding pages for each of the respective periods there named. They show what proportion of the total expenses over and above fees are properly chargeable to the assessment business in Canada, and when to this amount is added the fees collected in Canada, the balance is the proper proportion of expenses chargeable to the Canadian business. From the total receipts in Canada is then deducted the amount paid Canadian members and the amount invested for deposit with the government, and the balance is the actual contribution to the expenses of the company by the Canadian members. It will be seen that during the period from 1885 to 1894 the actual expenses are \$57,091 in excess of the proportional expenses. For the years 1895 to 1903 the actual expenses were \$56,561 less than the proportional Canadian expenses.

As showing the effect of this method of separating fees, it is to be noted that had the distribution been made on the gross expenses, without separation, the amount chargeable for the whole term, 1885 to 1903, would have been \$1,852,903, as against \$1,792,229, which is the proper proportion, \$1,735,668, which has been charged. These results arise from the fact that during the first period the proportion of new business in Canada was greater than the proportion of new business generally done. During the second period, however, it was less, so that by the method of adjustment adopted equity is insured, with due regard to the actual amount of new business written.

MEAN INSURANCE IN FORCE IN CANADA.

Year.	In Company.	Mean Insurance in force in Canada. (Assessment).	Per Cent.
	\$	\$	\$
1885.....	104,403,000	3,506,000	.0335814
1886.....	136,765,000	7,036,000	.0514459
1887.....	153,365,000	8,348,000	.0544322
1888.....	162,728,000	9,408,000	.0578143
1889.....	175,131,000	10,605,000	.0605547
1890.....	189,181,000	12,142,000	.0641819
1891.....	206,106,000	13,803,000	.0669704
1892.....	225,815,000	15,203,000	.0673250
1893.....	249,514,000	17,264,000	.0691915
1894.....	277,987,000	20,340,000	.0731688
Totals.....	1,880,995,000	117,655,000	.0625494
1895.....	301,013,000	22,457,000	.0746048
1896.....	316,843,000	29,080,000	.0917805
1897.....	313,297,000	34,423,000	.1098734
1898.....	285,368,000	31,528,000	.1104819
1899.....	221,442,000	26,624,000	.1202301
1900.....	181,491,000	19,572,000	.1078401
1901.....	165,729,000	12,278,000	.0740848
1902.....	152,412,000	8,977,000	.0588996
1903.....	125,921,000	8,312,000	.0660096
Totals.....	2,063,516,000	193,251,000	.0936513
Grand total.....	3,944,511,000	310,906,000	.0788199

SELECT COMMITTEE ON THE POSITION OF

4 EDWARD VII., A. 1904

Years 1885 to 1894, both inclusive.

	United States.	Canada.	Foreign.	Total.
Total income	\$ 28,861,261	\$ 1,764,436	\$ 2,117,550	\$ 32,743,247
Membership and medical fees	2,255,440	267,530	316,800	2,839,770
Total expenses	7,417,630	491,223	1,080,624	8,989,477
Expenses less membership and medical fees	5,162,190	223,693	763,824	6,149,707
Payments to members	18,289,690	941,811	731,312	19,962,813

Years 1895 to 1903, both inclusive, (Canada).

	United States.	Assessment.	Leg. Res.	Foreign.	Total.
Total income	\$ 42,691,038	\$ 3,268,082	\$ 384,667	\$ 6,250,871	\$ 52,594,658
Membership fees and first year's premiums	3,195,624	196,894	59,100	475,000	3,926,618
Total expenses	12,136,469	508,642	67,438	1,806,004	14,518,553
Expenses less fees	8,940,845	311,748	8,338	1,331,004	10,591,935
Payments to members	29,158,306	2,118,218	186,032	5,696,682	35,159,238

Years 1885 to 1903, both inclusive, (Canada).

Total income	\$ 71,552,299	\$ 5,032,518	\$ 384,667	\$ 8,368,421	\$ 85,337,905
Membership fees, medical fees, &c.	5,451,064	464,424	59,100	791,800	6,766,388
Total expenses	19,554,099	999,865	67,438	2,886,628	23,508,030
Expenses, less fees	14,103,035	535,441	8,338	2,094,828	16,741,642
Payments to members	47,447,996	3,060,029	186,032	4,427,994	55,122,051

Years 1885 to 1894.

	\$	\$
Mean amount at risk		1,880,995,000
Canadian assessment business—		
Mean amount at risk		117,655,000
Percentage		6,255
Total expenses, less fees		6,149,707
6.255 per cent equal \$384,664.		
By annual percentages	390,428	
Fees (Canadian)	267,530	
Proportionate Canadian expenses		657,958
Total receipts in Canada	1,764,436	
Paid Canadian members	\$ 941,811	
Deposits in Canada	107,576	
	1,049,387	
Actual expenses		715,049
Excess		57,091

APPENDIX No. 1

Years 1895 to 1903.

Mean amount at risk.....		2,063,516,000
Canadian assessment business—		
Mean amount at risk.....		193,251,000
Percentage.....		9,365
Total expenses, less fees.....		10,591,935
9·365 per cent equal \$991,935.		
By annual percentages.....	937,377	
Fees (Canadian).....	196,894	
Proportionate Canadian expenses.....		1,134,271
Total receipts in Canada.....	3,268,082	
Paid Canadian members.....	\$ 2,118,218	
Deposits in Canada.....	129,245	
	2,247,463	
Actual expenses.....		1,020,619
Deficit.....		113,652

Years 1885 to 1903.

Mean amount at risk.....		3,944,511,000
Canadian assessment business—		
Mean amount at risk.....		310,906,000
Percentage.....		7,882
Total expenses, less fees.....		16,741,642
7·882 per cent equal \$1,319,576.		
By annual percentages.....	1,327,805	
Fees (Canadian).....	464,424	
Proportionate Canadian expenses.....		1,792,229
Total receipts in Canada.....	5,032,518	
Paid Canadian members.....	\$ 3,060,029	
Deposit in Canada.....	236,821	
	3,296,850	
Actual expenses.....		1,735,668
Deficit.....		56,561

Q. Do you say the figures there are quite correct and true?—A. No answer.

By the Hon. Mr. Lougheed :

Q. Did you verify them?—A. I do not mean to testify that I verified figure by figure, but I verified so as to satisfy myself that they were correct.

Q. I suppose the insurance reports filed with the department are made up in the say way?—A. Just in the same way.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Statement No. 38 has been filed by Mr. Patterson, and evidence given on it. 'Increase in expenses other than agents' commissions, which shows from 1896 to 1903, an increase in legal expenses, and a subsequent decrease—an increase for some time, and a subsequent decrease in travelling expenses, and an increase in actuarial expenses, and an increase in office expenses, and a decrease in salaries of officers and office employees. Have you any remark to make concerning this statement?—A. I have already explained the increase in actuarial expenses. The increase in legal expenses is largely due to the difficulties attending the reapportionment, the increase of the assets brought about, as I think it has been already testified to.

ELDRIDGE

Q. Those are expenses that would naturally increase with increasing difficulties of the association?—A. Yes. What I said in regard to the legal expenses was, that it was due to increase of suits caused by the re-apportionment.

Q. Speaking generally, what would be the general cause of it?—A. To a very large degree, the increase in those expenses, is due to the difficulties the company has had to overcome during this period, arising in a very large degree out of the manner in which business was done in the early part of the company, the creation of the impression that the rates on which business was done were level rates that would never be increased, and the creation of a condition of mind among the policy-holders, which, in order to carry forward the company and discharge the contract, had to be disposed of by the increasing of the rates.

Q. Two statements have been filed, exhibits 40 and 41, by Mr. Patterson, the first statement showing the cost of new business to the association in certain stated years, and the second the cost of new business in, I believe, the same years, to other companies. Have you any remark to make concerning those statements?—A. I have to say simply, that that is Mr. Patterson's opinion as to the distribution of expenses between old and new business. As far as the figures are concerned, I have checked them up only as far as regards the Mutual Reserve for the year 1901, and those figures are correct; but what I was speaking of was his declaration that those were the cost of new business. They were not returned by the company as the cost of new business at all, and they are not all of them figures or amounts that are caused by the doing of new business. For instance, the salaries of officers and employees, one-half is charged to new business. The fact is that a good deal more than one-half is necessary, because of the old business of the company, and so I might go through it. The distribution is simply his expression of opinion as to what is the cost of new business, and what is not the cost of new business. He has presented some figures for comparison, picking out three companies. One is the Aetna Life, which does two branches of business, and the officers are the same in the life and accident branches, and he has made the divisions in the same way. The second is the Equitable, and he has made the divisions in the same way. Why he took that company I do not know, but I call attention to the fact—

By Mr. Coster, K.C., Counsel for the Committee :

Q. He has charged the whole of the expenses of the Aetna Life?—A. For the purpose of comparison, the company that does two branches of business, would not be as fair a comparison as one that confined itself to the one branch of business. I have not checked up the figures—the Equitable is the second one, and the Northwestern Mutual is the third. These three, I presume, were selected for some reason. I have not checked up 1901 and 1903, because when I was at the department for the purpose, those volumes were not at the department. I have checked 1902, and I call attention to the fact that the charge for the business of the Equitable in 1902, although the Equitable paid \$988,000 in salaries to officers and employees, no portion of that is carried into the cost of new business. On the other hand, you take the Northwestern, and the entire salaries are carried in. Take the Northwestern Mutual, and he has carried in the entire amount of salaries of officers and office employees, and he has charged nothing for printing and stationery. The others I have not been able to check. I did not regard it as very important; because it is simply an opinion, as to what particular expenses belong to new business, and what do not. There is no such division made by the department.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. When an insurance company is in difficulties, the cost of obtaining new business does increase unavoidably?—A. Yes, and any arbitrary for ascertaining what portion of certain expenses goes to new business, must certainly be inaccurate, unless there is some correspondence between the amount of new business written to the amount of old business in force.

APPENDIX No. 1

Q. Have you any statement to make, concerning the payment of the \$200,000 to Mr. Merriam, in connection with the transfer of the Great Northwestern business?—A. Simply that the testimony I formerly gave, may have left an impression on the minds of the Committee that the money went to Mr. Merriam. Mr. Merriam had a contract under which he was entitled to certain percentages for bringing to the company reinsured business, if he brought any the company would accept.

Q. He did bring the Northwestern?—

By Mr. Coster, K.C., Counsel for the Committee :

Q. Is that contract here?—A. It is not.

Mr. COSTER.—I submit it should be produced, if you are going into it

By the Hon. Mr. Lougheed :

Q. Was the contract between Mr. Merriam and your company?—A. Yes. I answered the question of the counsel that this was paid to Mr. Merriam or under Mr. Merriam's contract. I am not going into the terms of the contract, but I want to explain what became of the money, and not leave the impression that it did go to Mr. Merriam. After the reinsurance took place, it was found that the assets left with the Northwestern were not sufficient to meet the outstanding accrued liabilities. We assumed all accrued liabilities, and Merriam surrendered his contract, and it was commuted and paid into the receiver of the company for the benefit of the creditors.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Was this sum of money charged to any of the members of the association outside of the Northwestern?—A. It came entirely out of the Northwestern.

Mr. COSTER.—I observe by the report of our proceedings that Exhibit No. 12 has not been printed. It might go in. It reads as follows:—

RETURN TO CANADA.

1. The total amount of income during the year in Canada and in the United States, separately.

Year.	Assessment Business in Canada.	All Business in United States.
	\$	\$
1885.....	42,616	1,669,548
1886.....	100,213	2,036,420
1887.....	129,213	2,341,758
1888.....	144,469	2,548,166
1889.....	161,877	2,873,401
1890.....	185,275	3,027,206
1891.....	190,081	3,197,979
1892.....	220,073	3,466,882
1893.....	272,235	3,662,341
1894.....	318,384	4,037,260
1895.....	327,298	4,567,372
1896.....	419,616	4,782,114
1897.....	525,869	4,812,336
1898.....	463,891	4,973,491
1899.....	412,522	4,704,180
1900.....	352,963	5,424,889
1901.....	282,257	5,803,732
1902.....	275,874	3,946,001
1903.....	207,792	3,676,923
Totals	5,032,518	71,552,299

SELECT COMMITTEE ON THE POSITION OF

4 EDWARD VII., A. 1904

LEGAL RESERVE BUSINESS IN CANADA.

1899.....	\$ 14,139
1900.....	95,461
1901.....	87,270
1902.....	102,135
1903.....	85,662
Total	\$384,667

RETURN TO CANADA.

2. The total amount paid during the year to policy-holders in Canada and in the United States, separately.

Year.	Assesment Business in Canada.	Percentage of Gross Income.	All Business in United States.
	\$		\$
1885.....	13,044	30.54	825,865
1886.....	37,800	37.72	1,111,806
1887.....	62,650	48.49	1,316,031
1888.....	73,200	50.67	1,504,429
1889.....	82,600	51.02	1,736,588
1890.....	105,597	56.99	2,003,334
1891.....	111,800	58.82	2,112,114
1892.....	133,650	60.73	2,444,126
1893.....	160,905	59.11	2,553,507
1894.....	160,595	50.44	2,681,890
1895.....	163,793	50.04	3,557,494
1896.....	265,353	63.24	3,376,022
1897.....	280,239	53.29	3,562,937
1898.....	300,693	64.82	3,435,611
1899.....	304,251	73.75	3,101,704
1900.....	235,101	66.61	3,062,192
1901.....	277,434	98.29	3,800,853
1902.....	151,959	55.08	2,672,766
1903.....	139,395	67.08	2,588,727
Totals.....	3,060,029	60.81	47,477,996

LEGAL RESERVE BUSINESS IN CANADA.

1899.....	\$
1900.....	23,306
1901.....	55,709
1902.....	51,554
1903.....	55,463
Total.....	\$186,032

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RETURN T CANADA.

3. The total amount paid out during the year for general or other expenses in Canada and in the United States ; giving separately amount of salaries paid to officers and home offices employees.

Year.	Assessment Business in Canada.	Percentage of Gross Income.	All Business in United States.
	\$		\$
1885.....	17,289	40.57	531,328
1886.....	35,694	35.62	602,518
1887.....	33,803	26.86	579,597
1888.....	39,058	27.04	615,870
1889.....	39,754	24.56	666,248
1890.....	48,867	26.38	683,244
1891.....	56,108	29.52	720,233
1892.....	65,083	29.57	826,918
1893.....	75,372	27.69	963,582
1894.....	80,195	25.19	1,228,092
1895.....	84,566	25.84	1,401,078
1896.....	83,524	19.90	1,285,380
1897.....	86,362	16.41	1,522,643
1898.....	83,231	17.94	1,508,112
1899.....	71,324	17.29	1,114,405
1900.....	38,414	10.88	1,088,435
1901.....	30,697	10.88	1,531,638
1902.....	18,051	6.54	1,455,701
1903.....	12,473	6.00	1,229,077
Totals	999,865	19.87	19,554,099

LEGAL RESERVE.

1899.....	\$ 1,948
1900.....	13,662
1901.....	21,692
1902.....	15,243
1903.....	14,893
Total.....	\$66,438

SELECT COMMITTEE ON THE POSITION OF

4 EDWARD VII., A. 1904

SALARIES HOME OFFICE.

Included in Expenses.

Year.	Officers.		Employees.	
	\$	cts.	\$	cts.
1885.....	41,045	00	26,338	36
1886.....	39,610	00	36,351	72
1887.....	50,235	00	32,280	78
1888.....	39,025	00	41,417	25
1889.....	41,150	00	43,465	00
1890.....	45,240	00	49,277	97
1891.....	58,120	00	56,637	46
1892.....	72,767	15	68,506	67
1893.....	79,636	20	88,542	40
1894.....	141,296	99	199,647	10
1895.....	142,455	01	225,619	40
1896.....	104,791	68	247,505	20
1897.....	116,485	47	250,890	56
1898.....	92,918	00	243,829	59
1899.....	70,889	80	215,736	64
1900.....	81,454	02	212,222	61
1901.....	99,379	72	208,442	21
1902.....	97,714	72	188,012	72
1903.....	85,832	19	200,184	15
Totals.....	1,500,045	95	2,634,907	79

RETURN TO CANADA.

4. The amount appearing at the credit of the reserve fund at the end of the year:—

1885.....	\$ 560,022
1886.....	933,510
1887.....	1,383,692
1888.....	1,886,448
1889.....	2,403,890
1890.....	2,805,450
1891.....	3,180,561
1892.....	3,376,585
1893.....	3,589,566
1894.....	3,827,796
1895.....	3,455,242
1896.....	3,507,826
1897.....	3,306,116
1898.....	3,075,956
1899.....	2,392,196
1900.....	2,189,970
1901.....	2,017,527
1902.....	2,060,584
1903.....	2,031,532

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RETURN TO CANADA.

5. The amount on deposit with the Canadian Government at the end of the year:—

End of	Cost.	Par value.	
	\$	\$	\$
1885..	51,375	50,000	50,000
1886..	51,375	50,000	50,000
1887..	51,375	50,000	50,000
1888..	51,375	50,000	50,000
1889..	55,251	50,000	50,000
1890..	107,576	103,533	100,867
1891..	107,576	103,533	100,867
1892..	107,576	103,533	100,867
1893..	107,576	103,533	100,867
1894..	107,576	103,533	100,867
1895..	107,576	103,533	100,867
1896..	107,576	103,533	100,867
1897..	142,576	138,533	135,857
1898..	262,783	265,067	251,295
1899..	262,783	265,067	253,045
1900..	236,821	238,460	228,045
1901..	236,821	238,460	228,045
1902..	236,821	238,460	228,045
1903..	236,821	238,460	218,938

LEGAL RESERVE.

End of	Cost.	Par value.	Accepted value.	Trustees.
	\$	\$	\$	\$
1900..	25,962	26,607	25,000	
1901..	25,962	26,607	25,000	10,000
1902..	25,962	26,607	25,000	15,000
1903..	25,962	26,607	23,984	15,000

RETURN TO CANADA.

6. The total amount of assets of the company at the end of the year, and what portion thereof in Canada. Distinguishing, as far as possible, in all the above, between policies issued previous to and subsequent to August 11, 1899, and between the business resulting from policies issued under the assessment plan and level premium policies.

	TOTAL.		CANADA.	
	Assets other than policy-holders premium obligations.	Policy-holders premium obligations in addition to amount in Column 1.	Assets other than policy-holders premium obligations.	Policy-holders premium obligations in addition to amount in Column 1.
	\$	\$		\$
1885	590,623	428,088	50,000	
1886	915,113	565,255	50,000	
1887	1,408,370	674,348	50,000	47,586
1888	1,894,840	771,591	50,000	49,074
1889	2,436,680	804,979	55,000	52,059
1890	2,847,597	885,028	110,960	58,735
1891	3,276,853	898,073	111,350	62,791
1892	3,524,378	958,614	111,350	70,648
1893	3,763,020	1,048,713	106,278	83,241
1894	3,989,882	1,106,229	124,426	91,599
1895	3,660,655	1,378,436	155,504	109,146
1896	3,818,346	1,397,660	162,147	139,231
1897	3,543,735	1,136,993	260,116	80,158
1898	3,386,418	713,472	336,665	77,926
1899	3,339,683	592,655	336,843	35,537
1900	4,649,862	562,811	363,525	32,975
1901	4,975,501	811,593	349,960	26,720
1902	4,908,585	832,594	380,603	20,764
1903	4,975,016	731,296	398,678	44,480

Division of Canada assets between assessment and legal reserve business:

	Assessment.		Legal Reserve.	
	\$	\$	\$	\$
1899	299,652	32,851	37,191	2,686
1900	267,841	20,452	95,684	12,523
1901	244,408	16,703	105,552	10,017
1902	241,308	8,607	139,295	12,157
1903	244,076	27,074	154,600	17,406

There is also something left out which was read from Mr. Payne's report, which I read, and which I wish to appear in the notes of evidence. The document is Exhibit 6, and the portions I read are as follows:—

EXHIBIT No. —.

I call your attention to accounts No. '3' and '4'. The transactions represented by account No. '3' are those provided for in contracts '3' '4' and '5'. Account 'No. 4' is connected with contracts '1,' '2,' '3' and '4.' Contract 'No. 5' being a cancellation of prior contracts.

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APPENDIX No. 1

Contract 'No. 3,' among other things, stipulated for the payment each week of the sum stated therein, by the association to the party of the second part, said moneys to be used by him as advances to sub-agents in the procurement of new business. He was to be charged with the moneys thus given him, which were to be deposited in bank weekly to his credit as general manager, and subject to his cheque, and he was to account to the association in detail, with proper vouchers, as to the disposition he may have made of the sums thus placed at his disposal, in distributing the same among sub-agents in the nature of advances to them. This contract was dated January 7, 1897, and was to continue for the period of two years if satisfactory to the association. It was terminated on January 22 following by the execution of contract 'No. 4.' This latter was annulled and supplemented by 'No. 5,' dated July 23, 1898. The ledger account, containing the record of the advances mentioned, was opened January 7, 1897, the last entry having been made August 5, 1898, closing the account as of July 27, 1898, by a credit of commuted commissions. The last debit to the account, in the nature of an advance, was July 27, 1898. From the opening of this account to the date of the last entry, or a period of eighteen months, the sum of \$360,915.07 had been invested for the purpose of procuring new business. The amount thus invested, it will be seen, being the nature of sums advanced or loaned to agents, could only be reimbursed to the association by agents earning commissions to the extent of the money so loaned or by returning the same in cash. Otherwise the loans would become debit balance due from agents. Of the \$360,915.07 advanced during the period stated, \$244,954.07 had become debit balances on July 1 last and stood at that figure on that date. The following comparison will indicate the significance of this result.

From the commencement of business by the association in 1881 down to the execution of the contract of January 7, 1897, or for some sixteen years, the total amount of agents' balances created was \$529,459.93. For the eighteen months during which the contracts for which I speak of ran, the agents' debit balances amounted to \$244,954.07. The value of these balances owing the association is extremely uncertain. Of a total of \$744,414 of these items accruing since its organization it had marked off to the end of 1897, \$419,235.24, or over 50 per cent of the total.

A reference to 'Account No. 4,' indicates that the contract of January 7, 1897, contemplated the payment to the general management of a commission to him on new business in addition to the commissions provided for in the contract to be paid by him to sub-agents, and the account shows this commission to have been so allowed him to the extent of \$93,810.78, notwithstanding the fact that at the same time his sub-agents were becoming indebted to the association for moneys belonging to it, and which they ultimately failed to remit. These unpaid balances of 1897 form the larger portion of the \$244,954.07 of agents' debit balances, to which attention has been called. The value of these accounts could not be reliably ascertained at the date of the last examination, they having been so recently created, but an examination of them at this late day must lead to the conclusion already given in presenting this manner to you, viz., that they are of nominal value only.

The value of the business acquired in 1897, to which year these business chiefly pertain, can best be judged by the length of time this business continues upon the association's books. Its ability likewise to reimburse itself wholly or in part for the moneys advanced to agents and not subsequently earned by them in commissions, would depend upon the persistency of this business. The insurance effected in 1897 was in the main written upon what is known as the 'Five-year combination option policy'. The business then procured amounted to \$30,700,000. On May 16 last but \$16,800,000 remained.

The commission cost of this business on initial year's premiums from the time these policies were first written in 1896 to May 16, 1899, is as follows:—

Initial year receipts, 'five-year combination' policies..	\$1,715,870	19
Initial year commissions, 'five-year combination' poli- cies....	1,056,361	74
		<hr/>
Initial year, balance of receipts..	\$659,508	45
Of which there are agents' debit balances of.....	321,472	44
		<hr/>
Initial year net receipts on 'five-year' new business....	338,036	01

I call your attention to a seemingly vital point established, I think, as the outcome of the association's strenuous attempt to secure new business in 1897. The sums invested in this direction were considerable. No effort appears to have been spared in furnishing its agency department with every available means by which to accomplish results, as is evidenced by the liberality of its contracts with the general manager, yet notwithstanding this, the business in force fell off from the 1st of January, 1897, to the close of the present examination, to the following extent:

The association's sworn statement to the Insurance Department for the year ending December 31, 1896, showed it to have 118,449 policies in force number 76,592, or a falling off of 41,857 since the beginning of 1897, with an accompanying loss of \$130,970,000 of insurance since then, being a decrease of 35 per cent in number of policies, and 40 per cent in amount of insurance in force.

This depletion of membership and of insurance in force has transpired notwithstanding the fact that every aid has been extended by the association to its members with a view of encouraging the continuance of their premium or assessment payments.

The Committee adjourned.

OTTAWA, Thursday, July 21, 1904.

Examination of George D. Eldridge continued.

By Mr. Geoffrion, Counsel for the Company :

Q. The statement, Exhibit 34, has been filed by Mr. Patterson, referring to certain circulars purporting to be from the Mutual Reserve and to the effect that there were false representation in those circulars. What remarks have you to make as to that?

—A. These are the circulars marked 10a, 10b, 10c, 10d, 10e, 10f and 10g. Exhibits 10b and 10g are duplicates.

By Mr. Coster, Counsel for the Committee :

Q. They are not duplicates?—A. Exhibit 10a is a slip showing the condition and general facts of the business at the close of 1899, and the discrepancy pointed out is that the assets stated therein are \$621,464.75 more than the amount reported to the New York Insurance Department. That is the amount of the lien notes that the department required to be taken out of the statement to them, and the assets here are the assets reported wherever their notes were included. The other exhibits, so far as figures are concerned, relate to September, 1900, where the figures with which they are compared are figures of December 31 of the same year. They are the statements that were put out to the policy-holders immediately after the transaction with the Northwestern and recorded with the aggregate assets of the business, &c., of the Mutual Reserve, plus the same items as they stood upon the Northwestern books as of the date of the reinsurance, and any discrepancies that appear fall under that head,

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that they include the Northwestern entire record and convey to the policy-holders that information.

The business stated in force in this is \$225,000,000, while the business in force at the end of the year was \$189,000,000, from which the witness figures out that the business was overstated. The amount of \$225,000,000 was in round numbers, the amount of business in force of the Mutual Reserve plus the business on the books of the Northwestern at the time the reinsurance took place.

EXHIBIT NO. 10A.

The Mutual Reserve Fund Life Association, of New York, Frederick A. Burnham, president.

The record for 1899 shows :—

Income	\$5,813,494 96
Invested assets, December 31	3,461,230 22
Net surplus, December 31	1,045,014 22
Total death claims paid since organization, over . .	41,000,000 00
Paid-for insurance in force	173,714,683 00

This association possesses more than \$1.43 of assets for every dollar of liability. Judge of strength from results.

EXHIBIT NO. 10B.

Facts concerning the Mutual Reserve Fund Life Association of New York.

The Mutual Reserve Fund Life Fund Association is the best, the greatest, and the most successful life insurance company of its age in the United States.

Its annual income, in round numbers, is six millions of dollars.

It returns to its policy-holders and their beneficiaries, every year, a larger proportion of the money they pay in for that purpose than any other company on earth.

In the nineteen years of its existence, it has returned to beneficiaries in this way over forty-one millions of dollars.

It now pays in death claims, every year, approximately four millions of dollars.

Its invested assets amount to three and one-half millions of dollars.

Its surplus over every actual and contingent liability is more than a million dollars.

ITS STANDING AT HOME.

In the state of New York, the home of the world's greatest insurance companies, there are twelve domestic old line companies, excluding the one industrial company and the 'Three Giants' the Mutual Reserve stands in the front rank, with the largest annual income, the largest amount of business in force and the greatest annual payments to the beneficiaries of its policy-holders.

In 1899 twenty-three old line companies of other states reported to the Insurance Department of New York. Excluding one industrial company, none of these pay annually as large an amount in death claims as does the Mutual Reserve.

This association not only returns more money to its policy-holders or their dependents than any of these insurance companies, but only one of this large number reported in 1899 more business and but three of the twenty-three a greater income than the Mutual Reserve.

In other words, of all the powerful old line companies of the country, but four regular companies reported in 1899 a greater business, a greater sum paid in death claims, and only three others beyond those first referred to received as large an income as did this association.

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By reason of the extent of its business, the amount of its income and the magnitude of the results accomplished for its members, with the premiums received, the Mutual Reserve stands in the very front rank among the insurance companies of the world. No company during the corresponding period of its history has ever done such a business as has the Mutual Reserve since its organization nineteen years ago. It is the greatest insurance company of its age the world has ever seen.

The Mutual Reserve issues liberal policies, with full reserve, in amounts from one to fifty thousand dollars. Loan values. Cash values. Extended insurance. Paid-up insurance. The association possesses \$1.43 of invested assets to every dollar of liability. Remember the facts!

EXHIBIT No. 10C.

GROWTH OF THE MUTUAL RESERVE FUND LIFE ASSOCIATION OF NEW YORK.

	Jan. 1, 1900.	Sept. 15, 1900.
Annual income (at rate of)	\$ 5,800,000	\$ 8,000,000
Invested assets	3,500,000	16,000,000
Paid business in force	173,000,000	225,000,000
Net surplus over	1,000,000	
Death claims paid since organization		43,000,000

One hundred thousand policy-holders.
From present growth judge of future progress.

EXHIBIT NO. 10 D.

THE WONDERFUL RECORD OF THE MUTUAL RESERVE FUND LIFE ASSOCIATION—UNEQUALLED IN THE HISTORY OF THE WORLD'S LIFE INSURANCE COMPANIES.

The Mutual Reserve Fund Life Association has completed nineteen years of active operation, and a comparison of the results accomplished during that period with those reached by the other great life insurance companies of this country during the corresponding period of their history shows that the Mutual Reserve has broken all records and stands out as the great life insurance company of its age which the world has ever seen.

Insurance in Force.

The Mutual Reserve has paid for insurance in force amounting to \$225,000,000, while the insurance in force at the end of the first nineteen years of existence in twenty-four of the leading life insurance companies of the country averaged but \$31,373,847. The Mutual Reserve's business exceeds the average by over \$194,000,000.

Premiums Income.

The Mutual Reserve possesses no capital stock; it is a purely a mutual life insurance company, conducted in the interests of the policy-holders, who alone control it and who receive all the benefits arising from the transaction of its business. From its premium income is gathered the strength of every life insurance company, and the great volume to which the business of such company as the New York Life, the Mutual Life of New York, and the Northwestern of Milwaukee has attained and their present strength has arisen directly or indirectly from their premium income.

The premium income of the Mutual Reserve now amounts to some eight million dollars annually, while the premium income during the nineteenth years of the twenty-four life companies just referred to averaged only \$1,339,391. The income of the Mutual Reserve exceeds the average by over six million dollars.

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Payments to Policy-holders.

A life insurance company exists primarily for the purpose of granting to its policy-holders protection during life and paying to their beneficiaries the face amount of the insurance upon the happening of death. The usefulness of a life insurance company can best be judged by the results accomplished in the payment on death claims.

During the first nineteen years of its history, the Mutual Reserve paid claims amounting to \$40,637,967.46, while the death claim payments during the first nineteen years by the twenty-four prominent life companies already named averaged only \$4,350,376. Mutual Reserve over the average more than \$36,500,000.

Cost of Benefits Granted.

Cost is a necessary factor in conducting the business of life insurance, but it will everywhere be admitted that the company which accomplished the greatest results at the least cost, is the one which is best for policy-holders. The Mutual Reserve during the first nineteen years of its history transacted its business at a cost of but \$33.81 for each \$100 paid in death claims, while the experience of eighteen prominent companies in the United States shows an average expense of \$54.48 to every \$100 paid in death claims. The cost of every \$100 paid in claims by the Mutual Reserve was therefore over \$20 less than the average of the other companies.

Death Claims Paid as Compared with Income.

As already stated, the life insurance company exists primarily for the purpose of paying death claims. The company that pays the largest amount in death claims in comparison to its income, is the one who furnishes its policy-holders with their insurance at the lowest possible cost and accomplishes the most for them with the premiums paid to it. In nineteen years the gross income of the Mutual Reserve has been \$58,340,933.92 of which sum it has paid back in death claims, \$40,637,967.46. The Mutual Reserve has therefore used in *payment of death claims about 70 per cent* of its income, while the proportion of the income of twelve of the leading life insurance companies of the country used for the payment of death claims during the first nineteen years of their history was less than twenty-five per cent.

MUTUAL RESERVE FUND LIFE ASSOCIATION OF NEW YORK.

Its Record made in less than twenty years of active operations.

Annual income, at rate of	\$ 8,000,000 00
Cash and invested assets	16,000,000 00
Net surplus, over	1,000,000 00
Paid insurance in force	225,000,000 00
Death claims paid since organization	43,000,000 00

One Hundred Thousand Policy-holders.

ENDORSEMENTS OF THE MUTUAL RESERVE.

The excellent showing made, places the fact of solvency beyond question.

In economy the management has been in earnest, as the various annual statements verify. (*See Report, Texas Insurance Department, 1898.*)

The association possesses cash and invested assets of more than a million dollars in excess of its every liability, contingent as well as actual.

The all important question of solvency must be answered in the affirmative. It is due to the association that its undoubted solvency should be unhesitatingly declared.

All new business issued is upon a sound and equitable basis.

ELDRIDGE

4 EDWARD VII., A. 1904

The association has not to-day a single death claim due and unpaid, and I find that it pays promptly and in full every honest claim.

The affairs of the association are in strong, honest, competent hands.

The present healthy condition of the association abundantly assures to it a successful future under its present upright and capable management. I have no doubt whatever of its ability to carry out all its contracts. (See Report, Nebraska Insurance Department, August, 1900.)

The result of the examination shows that the association is solvent and pays full every death claim that is a proper charge upon the mortuary fund contributed by the members, and that in every case of settlement or compromise the character of the claim has been such as to make it the duty of the management to protect the members against an unjust demand. (Report, New York Insurance Department, 1898.)

EXHIBIT No. 10 F.

Advance Issue.

THE GUARDIAN.

309 Broadway, New York City, New York.

GEORGE DYRE ELDRIDGE, Editor.

WILLIAM TILLINGHAST ELDRIDGE, Business Manager,

ALFRED QUINCY COLE, Manager Boston Office, . . . 31 Milk Street, Boston, Mass.

September 30, 1900.

THE GREATER MUTUAL RESERVE.

The Mutual Reserve Fund Life was organized for the purpose of transacting the business of life insurance, and the record that it has made during less than twenty years of existence shows that it has transacted that business more abundantly than ever did any other company in the same length of time.

Up to the date when the present management assumed control, the business was transacted on the term plan of premium payment, a plan which gives the largest amount of insurance returnable for the time being on the amount of premium paid. The present management has worked steadily and intelligently toward level premium, whole life insurance, which provides for the accumulation of the reserve, without which level premiums cannot be maintained through life.

Content with no half-way measures, it has adopted the highest and most stringent standard for the computation of premiums and reserves that the law recognizes with the result that when the law was changed in Massachusetts, so as to compel all life insurance companies to comply with the same law—that is the legal reserve law—the Mutual Reserve was able immediately to meet the requirements, and to qualify with a substantial surplus.

This fact alone constitutes unimpeachable evidence of the far-reaching wisdom of President Burnham's administration—a wisdom which does not wait for an issue to be forced upon it before making preparations to meet it, but which, foreseeing the trend of events and the demands of the business, aids in shaping public opinion to broad conservatism. No one force was more felt in the legislation had in Massachusetts, which placed the business of the mutual companies under the general law than that exerted by the Mutual Reserve.

In dealing with the business already on the books, President Burnham's administration has had for its keynote adequacy and equity in rates. The great mass of that business written before President Burnham's election is on the ten-year renewable terms basis—a form of insurance under which there are hundreds of millions of busi-

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ness in force in 'old line,' or legal reserve, companies. Regarding the business, Mr. David Parks Fackler, the distinguished actuary, said in December last :

'On examining the annual mortuary payments of the ten-year class, it was found that they considerably exceed the net rates for ten-year term insurance based on standard mortality tables.'

As to the results attained upon this business, the actuary of the association, in his report at the close of 1899, said :

'Considering this form of policy contract as a ten-year renewal term, this class has met its own death losses, provided the full reserve which would have been required had it been subject to valuation as old-line or legal reserve insurance, and accumulated a surplus in addition of \$1,264,825.09.'

In dealing with the earlier form of business, the management, under the advice of competent and trained experts, placed it upon equitable and sufficient rates in accordance with the nature of the contract, as that contract gave ample power for doing. It was term insurance, and the management recognized its nature and the requirements of security under such a contract. It acted boldly and honestly in the interests of the holders of this insurance, because it provided for the fulfilment of their contracts, and placed behind them the security necessary to that end.

At the same time, it offered to each of these members the opportunity freely to exchange the contract he held for any other contract issued by the association. President Burnham had cast aside every apparent advantage in the struggle for new business due to low rates of premium, and had attested his confidence in the ability of the institution and its management to compete with the best, by adopting for new business the full rates charged by 'old-line' companies. He offered to all members the opportunity to come under the terms of the newest contracts, with their concomitant advantages of cash and loan values and of extended and paid-up insurance.

Having, however, placed all old business upon substantial and equitable rates, it was not necessary, as some other institutions have felt compelled to do, to drive these members to a change. On the contrary, the policy of the management has been to base changes upon the intelligence and business judgment of the members, and to allow no exchange to be made except where the member has had a full and clear statement of the conditions and knows exactly what he is doing. It is possible that, because of this, exchanges have been somewhat less rapidly made than would otherwise have been the case, but it is certain that a superior degree of persistence has been and will be secured, while almost the entire absence of complaints from exchanged members is in striking contrast to the dissatisfaction that has been created by the methods of some other companies.

The Mutual Reserve did not move as early as some other companies in this matter of exchange of form of policies, in part, because it was relieved from the necessity to do so by the policy of the management in exacting adequate rates of all, and also because the business that called for earliest action bore so small a proportion to the entire business, the vast mass being, as has been shown above, upon a basis where the compliance with the standard requirements of the old-line law was entirely impossible. It was less than a year since exchange was offered, and less than \$30,000,000 of the business to which the option of exchange was presented remains to-day unchanged.

Neither did the association adopt in its entirety the plan of any other company in making exchanges. While the loan-note plan for accumulating the reserve was the principal method offered, it also extended other options, so that all members had a choice of methods and each was able to select such as met his individual needs.

In adopting the loan-note, the Mutual Reserve simply adopted a method which has been the general property of legal reserve insurance ever since the business was established and a reserve required by law. The reserve is an obligation of the company, and it is an established principle of finance that no institution can loan on any other security as unquestioned as its own obligations. Loans on reserve and against maturing insurance are always co-existent with life insurance.

At the same time, in adopting this as the principal method of exchange, the management in arranging the details drew from abroad practical business experience and special knowledge of life insurance. It avoided increases of liens by requiring collection of interest in advance, as on the ordinary life insurance loan. It avoided inequality in periodical payments by collecting interest with premium instalments, so that the insurance is never exposed to the hazard of lapse which always arises in the face of a required payment greater than preceding or succeeding periodical payments.

The result of these and other practical features adopted in the exchange of policies has been an almost entire absence of lapse among the membership that has accepted the new contracts.

The permanence of extensive undertakings is not always measured accurately by the rapidity of their accomplishment. President Burnham has had a vast institution to handle. During the little more than five years of this management, the association had collected \$29,994,827 and has paid to members \$21,434,876. During the preceding fourteen and a half years of its existence, it has collected \$32,535,790, and paid to members \$22,400,619. The yearly basis of collections in the last five and a half years was \$5,453,605 in the preceding term, \$2,243,847; and that of payments to policyholders \$3,897,250 and \$1,544,870, respectively.

But wise management, honest economy and strict business principles applied in the conduct of the business tell in the end, and their result we read in the present position of the Mutual Reserve. The recent accession of business from the Northwestern Life—taken as it is upon a basis that amply protects the membership of each company—speaks louder and with than could a thousand quibbles or the carpings of a hundred critics.

When Mr. Mabie found that the response of his members to his intelligent and honest work for their protection was not, on the part of a minority, such as to enable him to secure full equity and justice to those who had stood by him valiantly in the work he was doing, the Mutual Reserve presented itself as the natural and proper protector of the entire business. The confidence felt in the institution and its management, both as to ability to protect and its purpose to deal fairly, is proved by the ease and swiftness with which this, the greatest transaction of the kind, has been accomplished. The mass of individual members gathered at the Chicago meeting may be accepted as typical of the entire membership. To that meeting was read the full contract; its items were stated in answer to numerous questions plainly and without equivocation; it was clearly stated that not a dollar of insurance would be accepted save on the full rate and with full reserve, and the adverse vote was one and only one. Seldom has confidence that a retiring management was doing its best, and that that best was the best, been more clearly expressed.

President Mabie of the Northwestern Life joins forces with the Mutual Reserve under President Burnham, as with a company large enough and strong enough to engage his unquestioned force, knowledge and ability, and managed by men in whom he has full confidence and with whom he can heartily co-operate, President Burnham will have no more loyal supporter than his new lieutenant. His knowledge of life insurance in all its departments is broad enough to make him a competent judge of the work which President Burnham has done, of the perplexing character of the problems he has had to deal with, of the completeness of his success. He knows that the Mutual Reserve has taken the business of the Northwestern Life on safe conditions, equitable and just to the members of both companies. No one who knows C. E. Mabie will believe that he comes to his new position save with thorough confidence in the future and with thorough loyalty to the management of the association.

President Burnham is the head of a company with 100,000 members; \$225,000,000 of insurance, \$16,000,000 of interest-bearing resources and an annual income of \$8,000,000. There are not half a dozen companies that can show this business. The Mutual Reserve ranks among the first, and it will be the honest ambition of President Burnham and his lieutenants to make the institution in all things worthy of its rank.

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EXHIBIT No. 10G.

This association no longer issues policies on the post-mortem assessment system, but writes all its contracts at level rates guaranteed by full 4 per cent reserve.

FACTS CONCERNING THE MUTUAL RESERVE FUND LIFE ASSOCIATION OF NEW YORK.

The Mutual Reserve Fund Life Association is the best, the greatest and the most successful Life Insurance Company of its age in the United States.

Its annual income, in round numbers, is eight millions of dollars.

It returns to its policy-holders and their beneficiaries every year a larger proportion of the money they pay in for that purpose than any other company on earth.

In the nineteen years of its existence it has returned to beneficiaries in this way over forty-three millions of dollars.

It now pays in death claims every year approximately four million of dollars.

Its invested assets amount to some sixteen millions of dollars.

Its surplus over every actual and contingent liability is more than a million dollars.

Its Standing at Home.

In the state of New York, the home of the world's greatest insurance companies, there are twelve domestic old line companies. Excluding the one industrial company and the 'three giants,' the Mutual Reserve stands in the front rank, with the largest annual income, the largest amount of business in force and the greatest annual payments to the beneficiaries of its policy-holders.

In 1899 twenty-three old line companies of other states reported to the Insurance Department of New York. Excluding one industrial company, none of these pay annually as large an amount in death claims as does the Mutual Reserve.

This association not only returns more money to its policy-holders or their dependents than any of these twenty-three companies, but two of this large number can report more business in force and a greater income than the Mutual Reserve.

In other words, of all the powerful old line companies of the country, but four regular companies reported in 1899 a greater business in force than the Mutual Reserve, three a greater sum paid in death claims, and only two others beyond those referred to are receiving as large an income as this association.

By reason of the extent of its business, the amount of its income and the magnitude of the results accomplished for its members with the premiums received, the Mutual Reserve stands in the very front rank among the insurance companies of the world. No company during the corresponding period of its history has ever done such a business as has the Mutual Reserve since its organization nineteen years ago. It is the greatest insurance company of its age the world has ever seen.

The Mutual Reserve issues liberal policies, with full reserve, in amounts from one to fifty thousand dollars. Loan values. Cash values. Extended insurance. Paid-up insurance. The association possess \$1.43 of invested assets to every dollar of liability. Remember the facts !

Q. The figures in those circulars are correct ?—A. Correct from the standpoint on which they were made.

Q. A statement has been filed by Mr. Paterson giving the proportion of commissions to insurance in force; have you any remarks to make concerning that Exhibit 42 ?—A. Exhibit 42 purports to show the new business written and the commissions paid agents to each thousand of new business from 1890 to 1903, both inclusive. The criticism I wish to make of that is, that in computing new business for the years 1890 and 1891, being included new business paid for, new business not taken, and revived business. For the years 1892 to 1898, both inclusive, he included in new business, new business paid for and business not taken. In 1899 he included new business

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paid for, new business not taken, change and increase, in 1900 and 1901 he included new business paid for, new business not taken, change and increase, and revived business; and in 1902 and 1903 he simply included new business paid for, so that the basis of comparison is not the same throughout. He has taken from the sworn reports and sometimes he has taken some figures, and sometimes left out those figures for other years.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What years did he not take it accurately from the report?—A. I did not state that he did not take it accurately from the report. He did not take it on the same basis, not the same items. Now there is a schedule of exhibits of policies in 1900, policies and certificates written, revived or changed during the calendar year \$64,000,000. That includes revived, changed and not taken business.

Q. It says so there, does it?—A. It says so there.

Q. Where are the ones not taken?—A. It states in here the amount that went out of force during the year, \$48,949,000, and it gives in there, those that went out of force, policies terminated by lapse, and not taken during the year.

Q. How much was not taken?—A. That does not define that amount.

Q. What is the amount not taken?—A. It does not show there the difference between the amount not taken and the terminated by lapse, but it does show that in this item new business is included, revived and changes. When you come to 1903, the schedule there is made up more in detail, the blank calling for more in detail, and it shows, issued during the year, new business \$12,500,000, revived during the year \$1,974,000. As it included in most of the other the revived, to make a fair basis of comparison the revived should have been included in the 1903, but he excludes that.

Q. Look at the report yourself, and tell me from the report what that would be?—A. You cannot tell from the report what the revived would be, but the report shows that the revived was included in new business, and here with the knowledge of what was revived, the statement before him in making up his basis of comparison, he excludes the revived here while the report shows it was included there, thus making a different basis of comparison.

By the Hon. Mr. McSweeney :

Q. What was the amount that went out of force in 1903?—A. \$22,000,000. It is not a criticism of the accuracy of any of the figures taken on the basis of which they were computed merely; it is different computation for different years, and allowance must be made therefore in any estimate of the accuracy of the ratios. In the earlier years, 1890, for instance, the report does give the material fact, taking out the not taken, but notwithstanding that fact, and that the last years were based upon it with the not taken excluded, he leaves the not taken in.

Q. How much is included in 1903?—A. Issue of new business was \$12,500,000, the revived of that is \$1,900,000.

By Mr. Geoffrion, Counsel for the Company :

Q. Your own association, of course, keeps books?—A. They do.

Q. Do they keep their vouchers and documents also?—A. They do.

Q. All these charges concerning which there is conflict in this evidence can be verified, can they not, by an examination of the books and vouchers of the association?—A. Everything that relates to expenditures can be certified from the books and the vouchers of the association.

Q. Has the New York department examined into those charges?—A. They have.

Q. A statement has been made that a sum of \$15,000 was paid to Mr. Macdonald for the purpose of stopping certain threatened lawsuits; have you any statement to make on that question?—A. In 1897 the company reapportioned a portion of its

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business and called for rates of attained age on a certain portion of its membership. It caused, naturally, a great deal of dissatisfaction, and a good deal of contention in the courts, and worked very much in many ways to the detriment and embarrassment of the company. In 1898, while those troubles were pending, the second vice-president came from England, and soon after his return exhibited great dissatisfaction as to the management, and it became known to us that he was engaged, with a certain ex-employee of the company, and others, while still he was drawing his salary and acting as vice-president, in fomenting contention and suits against the company and its management, and those centred about a man named Hoffecker and through him or his brother he employed General Tracy. Mr. Hoffecker had taken from the office, when he went away, copies of a good many papers that had passed through his hands, in his duties as an officer or employee of the company, and there was a declaration made and brought to us by the second vice-president at one time that there was a purpose to move before the Attorney General for leave to begin a suit to remove the officers or remove Mr. Burnham or myself—I think I was included. That was regarded only as one of the incidents of the whole matter. Attempts were being made to get together the policy-holders to combine in large suits against the company on account of Mr. Burnham and other matters, and the management felt that under the circumstances, with the reapportionment recently made, it was an extremely hazardous time for the association and its interests. It took the advice of the best counsel, naturally, that it could have under the circumstances.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Who was that?—A. Frank A. Lawrence, of Lawrence & Hughes. There came to the company finally a proposition through our counsel, who stated that the position of General Tracy with reference to the matter was such that if the whole affair could be closed up, and the expenses paid, he was not disposed to go any further in the matter, and that Hoffecker and the others interested were willing to discontinue and in the same way restore the papers and stop their attacks on the association. The management did not regard, and does not regard now, the fact that an application was to be made to the Attorney General for permission to begin a suit to remove the officers as the main point in this matter at all. Exactly such an application was made at the instance of this same officer within twelve months thereafter, and heard by the Attorney General in the regular course; but they did regard the attack as a serious one under those conditions, because of the large expenditure it was going to involve, because of the long litigation and the trouble it would make with the policy-holders, and destruction of policies of insurance, and in view also of the fact that it had already been decided at the annual meeting that the services of the second vice-president would be dropped, which would cause a further agitation, and he took the advice of our counsel in the matter, but did not rest satisfied with advice simply of counsel. I consulted personally what I regarded as the best practical insurance men in the city of New York, and laid the entire matter before them in detail :—

Mr. COSTER.—I do not want to stop this, but there was objection to a little hearsay evidence before, and the witness has now been testifying as to what was in the minds of the association, which, I submit is a little worse than hearsay evidence.

Hon. Mr. WILSON—Not only that, but he is relating what reports were brought in, and these reports are not before us.

Mr. COSTER, K.C.—The Tracy charges were not allowed to go in. If the witness is going to explain the withdrawal of the Tracy charges, the charges themselves should go in.

The CHAIRMAN.—The Committee cannot put a value on the evidence until they know what was in the charges.

By Mr. Geoffrion, Counsel for the Company :

Q. Please continue your answer ?—A. As an officer and director of the company, before acting in the manner of authorizing the payment, I not only took the advice of counsel, but I also as stated, laid the entire matter before two of the most experienced, practical life insurance men in the city of New York, with the advice on their part that in their opinion, as practical insurance men, it was for the best interests of the policy-holders to enter into the arrangement and make the payment, and that was the advice of counsel and on that it was paid.

By the Chairman :

Q. Was it not a condition, when these people made these objections against the company—was it not one of the demands that the president should resign and that they would drop proceedings?—A. I never saw that objection.

Q. Did you not hear of it ?—A. What is the question ?

Q. Was there not a proposition made on behalf of the policy-holders to allow the charges to drop if President Burnham would retire at the following election ?—A. I never heard of such a thing until it was sworn to in some proceedings in New York a year or two afterwards, and has been sworn to here, but I never heard of it at the time.

Q. There is no doubt the proposition was made ?—A. They were to apply, as I understand, to the Attorney General for permission to begin a suit for the removal of the president, and I think, myself. My impression is when it was finally filed it did not include me, but I am not positive as to that.

Mr. COSTER, K.C.—We have the actual documents here, why not let it go in?

Hon. Mr. BÉIQUE.—I think it is perfectly fair and within your rights to offer such part of the document as is necessary.

Mr. COSTER, K.C.—I will offer the whole of it, and let the Committee direct what portion of it shall go on the minutes.

By Mr. Geoffrion, Counsel for the Company :

Q. I understood you to say this application which was brought that year was renewed about a year after?—A. An application was made, I think it was the very latter part of 1899, to the Attorney General, for right to begin a suit to remove the president and myself possibly, but I think it only included the president at that time—without reference to the document I could not say.

Q. Was that in 1898 or 1899?—A. The application to the Attorney General was made in 1899.

Q. Early in 1899 or in the fall of that year?—A. The latter part of 1899.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You are not speaking of the General Tracy matter now?—A. No.

By the Chairman :

Q. I know there was a movement in the fall of 1898 to have Mr. Burnham removed. You are speaking of another suit?—A. Yes.

By the Hon. Mr. Béique :

Q. As far as the proceedings through General Tracy are concerned, the proceedings were prepared but were not presented to the Attorney General, were they?—A. I do not know whether they were prepared or not. I never saw them.

By the Chairman :

Q. That was in 1898?—A. Yes, in 1898.

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Q. As I understand it, this first action taken against the company was on behalf of certain policy-holders?—A. So was the second.

The CHAIRMAN.—These proceedings on behalf of the policy-holders were dropped on two considerations principally. There may have been others, but the principal considerations were that President Burnham had given his promise to withdraw, and not be elected the following election, and \$15,000 was paid for expenses. That is what I have understood.

By Mr. Geoffrion, Counsel for the Company:

Q. Referring to the remarks of the chairman, as far as you are concerned, you know that the \$15,000 payment was a condition of stopping the proceedings referred to, but you do not know anything about a promise of Mr. Burnham to resign?—A. I never heard of that until it was alleged in a subsequent suit.

Q. Coming to the second petition, you say it was about a year after?—A. It was either the early part of 1898 or the beginning of 1895 the petition was filed before the Attorney General to begin such a suit.

Q. That application was refused?—A. Yes.

Q. And the decision of the Attorney General appears in Part 3 of the evidence, pages 64 and 65?—A. It does.

Cross-examined by Mr. Coster, K.C., on behalf of the Committee:

Q. When your company reapportioned the rates in 1895, what rate did you charge the fifteen-year class?—A. The table was the same table that had been in use—

Q. Was it the rate at attained age which you charged them?—A. The rate at the age determined by adding to the original age one-half the number of years the party had been in the company.

Q. You have already stated that after 1890 or 1893—it varies in your evidence—the age when you stopped putting new members in the fifteen-year class?—A. I do not think I have testified that we have stopped at any time putting new members in the fifteen-year class.

Q. If you did say so is it true?—A. We began the new class of ten-year members in the middle of 1890. During the two succeeding years, both systems were run, and there was considerable business written on each. There never was any formal withdrawal of the fifteen-year policy, but the number of contracts issued under that form diminished until, practically, it went out of practice, so far as new business was concerned.

Q. You are not adding any new lives to the fifteen-year class now?—A. We are not.

Q. When do you say you stopped putting new members in?—A. I do not give any date. After 1893 there were very few policies issued on the fifteen-year plan, and probably from and after that date mostly they were reductions and changes that were so issued.

Q. You would say 1892 now?—A. No.

Q. Did you not practically cease in 1890?—A. No, there were some thirty odd millions issued after 1890 in the fifteen-year plan.

Q. I am quoting from the report of the Chief Examiner of Insurance of the State of New York, dated September 20, 1889, usually referred to as Mr. Payne's report, at the bottom of page 17 and the top of page 18, I find the following words: 'In levying this call'—that is the call when you first reapportioned—'the premiums of members who became such from the commencement of business in 1881 to July, 1890, were for the first time raised to attained age.' Is that statement of the examiner correct, that they were then raised to attained age?—A. That relates to call 96, and is correct.

Q. That is correct, they were for the first time raised to attained age?—A. Yes.

Q. Were they afterwards reduced?—A. They were not.

Q. They were kept at attained age?—A. Yes.

Q. Now, is not the natural premium, or the premium at age attained, sufficient to carry all classes?—A. It has been in some years, and in some years it has not been.

Q. Should it not be sufficient to carry all classes?—A. It should be, if the death loss was not at any time in excess of the tabular.

Q. That would be over 100 per cent of the American experience of mortality—is that what you mean?—A. Yes.

Q. Now, reading from the Bill H, page 3, line 13. 'The holder of any such assessment policy shall have the right to continue his said policy for the full amount thereof as a yearly renewable term policy upon which the premiums shall not exceed the net yearly natural premiums for the attained age of the insured, calculated upon the basis of the mortality table and rate of interest aforesaid, with a loading of 5 per cent for expenses.' You consider that that would be sufficient to carry all classes, did you not?—A. I presume that will be sufficient to carry all classes, including new and old business.

Q. I also want to call your attention to page 4 of Superintendent Payne's report, September 18, 1899, as follows:—'I then held that the bond statements issued in lieu thereof'—that is, in lieu of bonds—'by their terms are not a liability, is in my judgment unquestionable. I reached this conclusion in view of the financial condition of the association shown by the report of the examiner of this department, when it appeared that on December 31, 1897, the members holding these bond statements were indebted to the association some \$852,000. I recognized the fact that the association held a reserve fund of some \$3,300,000. It was made apparent, however, by the examiner's report that this reserve fund was created, not by the excess payments of the persistent members of the fifteen-year class, but by the excess payments of those who had taken insurance after the creation of the so-called fifteen-year class, holding these bond statements.' You say that is correct, and that they had received \$852,000 more at that time than they had contributed?—A. Yes, that the payments to the beneficiaries of that class had been in excess of their contributions.

Q. They had received a large amount more than they had contributed?—A. Yes.

Q. On the same page, 4, of the superintendent's report, I find the following statement: 'The officers of the association now attempt to justify credits allowed the persistent members holding bond statements on the ground that the increased rate charged the fifteen-year class policy-holders, in the call of February 1, 1898, brought in sufficient funds to make good the impairment referred to, and to leave a balance to their credit sufficient to meet the maturing bond statement obligations'—is that correct?—A. I never made such a claim.

Q. Is that statement of the Department of Insurance then false or is it true?—A. I think it states a mistaken conclusion.

Q. It cannot be that; he states positively that the officers of the association—would not that refer to you?—A. If he refers to me, I never made such a statement.

Q. You say that is not correct, then?—A. It is not correct, in my estimation—that is, if the language is to be interpreted that the call for February brought in enough to make up that \$800,000—

Q. No, not that; the reason of the premium to the age attained, the natural premium?—A. Not to make good that \$800,000.

Q. Then that is not correct?—A. Not if that is what he intends to state.

Q. That is what he does say. Is that statement of the superintendent correct or not?—A. This is the report of Mr. Payne, or the comments of Mr. Payne on it.

Q. Is that statement by the Superintendent of Insurance of the State of New York correct?—A. It is not.

By the Chairman:

Q. Did you ever notify the department that that statement was not correct, in due time?—A. This portion of the report does not appear until after our hearing, and the

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first we get of it is when it is in print and given to the public. The examiner's report is served on us, a sworn document, and the hearing is given, and we appear before the superintendent of that hearing. Subsequently this appears, but we do not see it in print.

Q. You must have seen that five or six years ago; did you protest to the department?—A. We did, and made a public protest against it, issued by the board of directors.

By Mr. Coster, K.C., Counsel for the Committee :

Q. At the age of, say 60, how would the rate at age attained compare with the rate shown in the American experience table of mortality?—A. About 141 per cent, the gross mortuary.

Q. You say the mortuary was 40 per cent more than the American experience of mortality?—A. The assessment rate, less the fixed dues, was. That rate includes the provision for mortuary expenses as well as for death losses.

Q. What do the expenses amount to that you speak of?—A. I think they—I speak on general impression now—have averaged about 12½ per cent.

Q. According to the evidence which you have now given, the fifteen-year class ought to be paying the full expenses of carrying themselves, should they not?—A. They would if their death loss was not so heavy.

Q. Tell me what the natural premium would be at 95?—A. The assessment table only goes to 80.

Q. Give the natural premium at the last age you have?—A. The natural premium at age 80 is \$213.71 per thousand, and that remains level throughout life afterwards.

Q. According to that table, what are you collecting at age 80?—A. Over the annual dues, \$213.71.

By the Hon. Mr. Béique :

Q. And with the annual dues?—A. \$216.71.

By Mr. Coster, K.C., Counsel for the Committee :

Q. At age 80 the American experience of mortality the premium is \$138.91?—A. The correct premium paid along at intervals is \$144.47.

Q. I read to you a letter which purports to come from the son of a policy-holder of the Mutual Reserve, his name being P. Gorman, and I ask you if the statements therein contained are true or false, and which statements are true and which are false?—A. I have no personal knowledge with regard to the facts stated in his letter and cannot answer now.

Q. Were all policy-holders in the same class treated alike?—A. I know that prior to eighteen hundred and—

Q. I want an answer, yes or no?—A. Do you mean by treated alike, as to the payments to be made?

Q. As to the payments, yes?—A. Prior to 1895, they were all treated alike.

Q. After 1895?—A. In 1895 all that were issued prior to January 1, 1890, were reapportioned upon the assessment number 81. At the next subsequent reapportionment all members of the fifteen class were raised to attained age, and having been continued at attained age of assessment ever since.

Q. Ever since?—A. I beg pardon, I should not have quite said that. That raising to attained age was under different conditions. I think in 1897, they were raised to attained age, and continued at their then attained age for about a year and a half, and then raised to attained age, and changes made on each succeeding birthday with all members of the fifteen-year class.

Q. Would all members taking out policies in 1885 and continuing to the present day, be treated alike?—A. Yes, with relation to the table of rates.

Q. The letter speaks of a circular speaking of \$793 of a reduction; that is for \$2,000. Would all policy-holders have that circular?—A. All policy-holders whose policies were issued in 1885 were subjected to the assessment levied in 1901 under the by-law that has already been quoted here, but the amount of that assessment would vary according to the age of the insured.

Q. Would that circular be sent to all the policy-holders?—A. I presume you mean the assessment notice of 1901, that was sent to all members of the fifteen-year class, issued prior to October 1, 1902.

Q. And would \$793 be the proper reduction on \$2,000?—A. That would depend on the age of the party.

Q. But you are unable to say, from looking at the rates charged him what his age was?—A. I am.

Q. Is that because you have not your tables here?—A. I have not the tables that were in use in 1885; and as to the present table, the yearly payment in any calendar year might vary or would vary according to the time in the year when the insured passed his birthday, so that you would have to know that, in order to determine from the table the accuracy of the figures.

Q. With reference to what you call 'foreign deposits with the governments of the foreign countries,' do you speak of Canada as being a foreign country?—A. In the relation of those deposits, yes.

Q. You call it foreign deposits?—A. Yes.

Q. You never use those foreign deposits for the payment of death losses?—A. No, sir.

Q. As you know they have to stay there; unless the company becomes insolvent, it would be pretty hard to get at them?—A. As I understand, if the company fail to pay a judgment on a claim against it, those deposits would become available for that purpose, but otherwise they remain there as a guarantee deposit of the business.

Q. With reference to the building in New York, did you make up a statement of the expenses of the building? I think it is already in evidence. I only want to ask you about it?—A. I have filed here an appraisal made by the New York Insurance Department.

Q. Exhibit 55 reads as follows:—

HOME OFFICE BUILDING, NEW YORK.

MUTUAL RESERVE BUILDING.

COST OF CONSTRUCTION, \$528,022 (1896 REPORT).

Gross Rental and Expenses, including Taxes.

Year.	Rent.	Expenses.	Balance.
	\$ cts.	\$ cts.	\$ cts.
1896.....	144,673 94	131,662 58	13,011 36
1897.....	147,303 28	136,697 51	10,605 77
1898.....	147,706 82	139,463 86	8,242 96
1899.....	140,334 04	127,038 13	13,295 86
1900.....	131,911 21	130,354 75	1,556 46
1901.....	128,767 72	135,059 97	6,292 25
1902.....	139,246 70	125,317 44	13,929 26
1903.....	142,440 73	120,371 80	22,068 93
Total.....	1,122,365 44	1,045,966 09	76,419 35

The \$1,122,385.44 includes the \$401,400 rent paid for home office rent by the Mutual Reserve, being \$50,400 per year, except 1896 and 1897, the amount for each of these two years being \$49,500.

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The net profit is 1'83 per cent on the \$528,022 invested in the building, and when the lease expires the \$528,022 will be forfeited to the Weld estate.

The Mutual Reserve building is included in the admitted assets of the Mutual Reserve Fund Life Insurance Company and valued at \$490,121.72. (New York Report, December, 1903.)

In the Massachusetts Report, 1902, last one issued at present date, the Mutual Reserve building is valued at \$483,600.50, but \$274,150.42 is classed under assets not admitted and listed 'depreciation in value of leasehold. \$274,150.42,' thus making the value of the Mutual Reserve building only \$209,510.08, as an asset.

According to this statement, the net profit on the building, as shown by the sworn report submitted to the Insurance Department, is 1'83 per cent on the \$528,022, and as you know, I suppose, when the lease expires, all the improvements fall to the owner of the building, do they not?—A. They do.

Q. Would you consider 1'83 per cent a fair interest to receive for money?—A. I should not consider it a fair interest to receive for money. I have not testified that that is correct.

Q. Can you see anything wrong with this statement, Exhibit 55. You can verify that by the reports?—A. That would involve the question of what was included in expenses, and the computation as made. This is 1'88 per cent, calculated on \$528,000. That is not the amount invested in the building.

Q. That is what you paid for it?—A. It is not. I think, Mr. Chairman, that I ought to be permitted to make one statement with reference to his document handed to me, and on which this calculation has been based. There is a typographical error on the printed statement, the annual report to the Insurance Department of New York. Opposite the Home Building is carried in what should be the footing of all the real estate, \$228,022, and that is fotted again, making \$579,290, and in evidence you will see the first item in schedule 4.

By Mr. Coster, K.C., Counsel for the Committee :

Q. Value of real estate, exclusive of encumbrance, \$528,022?—A. Which is just the amount carried opposite the building, without calculating in this. The typographical error is in these footings which have been carried up there.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. Is that done every year?—A. No, that is the only year in which that happened. The valuation of the building was dropped off by the printer.

By the Hon. Mr. McSweeney :

Q. What year?—A. December 31, 1896, and the footing was shoved up against the building, and then refooted and printed. We have corrected it at times, but it accidentally passes, sometimes.

Q. You reduce the value of the building every year?—A. Yes.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. You reduce the value of the building every year?—A. Yes.

Q. Take another year. What is the value of the building put at there?—A. \$476,653.50.

Q. What year is that?—A. December 31, 1897.

Q. What is the cost of the building?—A. \$483,660.50. That is the cost of the building. That is the end of 1893.

Q. That is what you paid on the Home Office Building in New York?—A. Yes.

By the Hon. Mr. McSweeney :

Q. That is all the real estate you have—the Home Office—A. No, we have some more.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You were examined with reference to the allegations in the petition which was prepared by General Tracy, and upon which the \$15,000 were paid. I would ask, as I understand that some of the honourable members do not want the whole petition to go in, as to whether pages 2 and 3 are the charges which were made?—A. I do not know whether this is a copy of the charges that were made in the Tracy complaint or not. It is a long time since I have seen the Tracy complaint. In general terms, I think these were the charges that were made to the Insurance Department, and made in the petition which was actually filed with the Attorney General, and I presume the same charges were embraced in that.

Q. The following are some of the charges of General Tracy in petition to Attorney General of New York to remove Burnham and Eldridge :—

1. That under cover of a clause in the last will of President E. B. Harper releasing the association upon certain conditions of a large claim for renewals, President Burnham has illegally and improperly received from the association at least \$40,000 for his own private purposes.

2. That President Burnham has unlawfully and upon his own authority discharged one Moton D. Moss from his obligations under a certain contract made between him and the association to its great loss.

3. That President Burnham has improperly authorized the payment to Mr. Moton D. Moss of enormous sums of the funds of the association.

4. That President Burnham has permitted untrue entries to be made in the books, and untrue affidavits to be filed in the office of the various state superintendents, especially as to the insurance in force and as to new business.

5. That President Burnham has during the past year abnormally increased the legal expenses of the association, not because of an increase of its litigation, but by reason of his own apprehensions and his desire to protect himself from the consequences of his own misconduct. Among these extra 'legal expenses' will be found very large retainers paid to attorneys who have never heretofore done and are not expected to do any business for the association.

6. That President Burnham, by his mismanagement, has caused within the last year lapses exceeding \$120,000,000 ; has reduced the new business of 1898 to about one-third of that written in the last year of President Harper's presidency; has uselessly increased the cost of management and seriously demoralized the association generally.

This is in connection with the payment of \$15,000 in connection with the charges. They paid this to Hoffecker?—A. No, to Macdonald for the payment of the costs.

Q. It was only costs, was it?—A. Yes.

Q. In the Senate, certain alleged statements have been referred to as supposed to have been made by Moton D. Moss?

Mr. PRINGLE.—Objected to.

Q. I will ask you now as to whether there is any truth in this statement :

'In the early part of 1898 the Insurance Department was investigating the affairs of the association and shortly after their examination I was shown a report which was to be issued, in which the Insurance Department cautioned the directors that the continued use of mortuary funds for expenses would not be tolerated. The insurance of bond statements by the management was criticised and some very strong remarks in regards to the position of affairs'. Did you ever see such a report?—A. In 1898?

Q. In the early part of 1898?—A. I never did.

Q. Did you ever hear of it?—A. I never did.

Q. Did you ever heard of any report being made which was not issued by the department?—A. I never did.

Q. At any time?—A. Let me explain in reference to that question what I have already stated about hearings that were had before the department, and the reports
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are sometimes changed as a result of those hearings, but nothing covering any of those points that have been named here. If there were any changes—I do not recall any changes, but if there were they were merely minor changes.

Q. 'I was shown this report and I was asked what the effect of it would be, and I stated that it would mean destruction. Did you ever hear any such statement as that made by Mr. Moss?—A. I never did.

Q. This was not with you?—A. No.

Q. You never had any such discourse?—A. No such thing ever occurred between myself and Mr. Moss.

Q. After some days of negotiation I was informed that the Insurance Department has recommended that Edward Lauterback be retained to represent the association and he was retained': Is that true?—A. I never heard of it.

Q. You never heard of him being retained?—A. I know he has acted for us as an attorney.

Q. Was he retained in 1898 to go before the Insurance Department?—A. My impression is that Mr. Lauterback was our attorney in the hearing before the Insurance Department in New York in 1898, but I will not be positive at the present time that he was.

Q. During the course of the next week I was told that Edward Lauterback had had several interviews with the Superintendent of Insurance, and that the superintendent had demanded that \$100,000 cash be paid to him to alter the report, and declare the association solvent'. Did you ever hear anything about that?—A. No, I never did.

Q. Did you never hear it alleged?—A. I never did.

Q. By any one?—A. No—oh, I have heard it alleged, and I have heard that Mr. Wells alleged it. I heard him allege it as one of the witnesses, but I never heard it alleged before.

Q. 'A few days afterwards I was shown a report which would be signed declaring the association to be solvent, leaving out all reference to their threat against the directors, and was told that this could be secured for \$65,000.' Did you ever hear anything about that?—A. I never heard anything about that.

Q. Who would know about that?—A. I do not know; it is a thing absolutely that I know nothing about, never heard of before.

Q. Did you know of \$5,000, or any sum of money, being loaned to the president by Moton D. Moss?—A. I do not.

Q. Did you know of a suit being brought by Moton D. Moss against the president?—A. I know after Moss ceased to be agent of the company he did enter a suit against Burnham.

Q. Do you remember a case being tried and a judgment given by Judge Scott?—A. I do not.

Q. Against Burnham?—A. I do not.

Mr. PRINGLE.—Objected to.

Q. Do you know of J. D. Wells lending the president \$5,750, said to be paid to the Department of Insurance?—A. I do not know it.

Q. Did you ever hear of it?—A. Mr. Wells told me he loaned it to the president, and the president told me Wells did not.

Q. Do you know that the president paid it back to him?—A. I do not.

Q. Did you ever hear of Horace Brockway's loan of \$6,000?—A. What?

Q. Loaned to President Burnham?—A. I did not.

Q. Did you ever hear of Mr. Horace Brockway being put on the pay-roll?—A. Mr. Horace Brockway was on the pay-roll of the company.

Q. For how much a week?—A. \$300 a week.

Q. What was it for?—A. For services rendered the company.

Q. What were the services?—A. Services in connection with our building and certain matters that we wished looked after by him.

Q. What is his business?—A. He is a hotel-keeper.

Q. How long did you pay him \$300 a week?—A. I do not remember. It was subsequently reduced to \$200 a week, and then when his services terminated it ceased to be paid.

Q. What were the services?—A. He rendered a number of services for us of a special character that the board of directors directed him to render.

By the Hon. Mr. Béique:

Q. State the nature of them?—A. Some in connection with some real estate and property we had, and some in connection with matters of interest connected with our rights to do business and the question of doing business and so forth in the states of the Union.

Q. As to the real estate?—A. Simply looking after certain interests in our building and real estate. After Worcester died, he had charge of that part of the business.

By the Hon. Mr. McSweeney:

Q. He had a sort of roaming commission?—A. Yes, to do certain things for us.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Did he abandon his hotel business?—A. He did not.

By the Hon. Mr. Wilson:

Q. Did you pay his travelling expenses when he went round?—A. I did not mean to say he was travelling around very much, but the payments to him covered everything.

By Mr. Coster, K.C., Counsel for the Committee:

Q. He remained at home in his hotel?—A. He remained in New York most of the time.

Q. At his hotel?—A. I do not know how that was.

Q. And that is all you can say of what the services were?—A. That is all.

Q. And you say you do not know of his having loaned the president \$6,000?—

A. I do not know.

Q. Did you ever hear of it?—A. Only as Wells has told me that he did.

Q. How much was Edward Lauterbach paid for his services in the department in that year?—A. I do not know that he was paid anything specially for his services in the department. He was retained as attorney, and paid his bills, but what the amount was, I do not know.

Q. Was Edward Lauterback paid \$20,000 a year?—A. Mr. Lauterback was retained by the executive committee, consisting, as I recollect, of Mr. Wells, Mr. Burnham and myself for a certified specified retainer for services to be rendered. I have not refreshed my memory in regard to it, and cannot say what the amount was.

Q. Will you say he did not get \$20,000?—A. It was a very considerable amount, as an attorney of his standing naturally would receive, but what the amount was, I cannot state.

Q. Would it be twenty thousand dollars?—A. I cannot state from memory now what it was. I have no doubt Mr. Wells has a copy of it and if it is here I have no doubt it is correct.

Q. Will you swear it was less than \$20,000?—A. I will not swear as to what it was. It was a very considerable amount.

By the Hon. Mr. Wilson:

Q. What sum would you consider a considerable amount? Fifteen or twenty-five thousand dollars?—A. It would depend on the services.

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Q. You mean a considerable amount of money during the year?—A. I presume it was somewhere between fifteen and twenty-five thousand dollars. He is an expensive man.

By Mr. Coster, K.C., Counsel for the Committee :

Q. What services did he perform for the company that year?—A. I really cannot tell you what services he performed, I think he appeared before the Insurance Department. It was either that or the succeeding year that he appeared before Attorney General Hancock on a complaint of Llewlyn Demming and argued the case against Demming's action, I think that is the year that occurred.

Q. Do you know of President Burnham getting back any money that year, paid to himself from time to time?—A. I do not.

Q. Did you never hear of it?—A. I heard that Mr. Moss made something of such charge, but as to the details of it I do not know, and never heard in any authoritative way.

Q. You do not know of Mr. Moss being paid any large amount of money by President Brunham?—A. I do not.

Q. Afterwards in settlement of the suit?—A. I do not.

Q. Thirty or forty thousand dollars?—A. I do not.

Q. Did you never hear of it?—A. I did not. It is something on the general rumour and the report here and I have been told by Mr. Burnham that he paid nothing of the kind. That is all I know.

Q. You spoke of that fifteen hundred pounds that Mr. Moss got, about his being paid \$1 a thousand; what did you mean by that? I remember seeing it in your examination?—A. I meant that Moss put out his agents and did special work towards the close of 1896, and that the \$75,000 amounted to about a dollar a thousand on the business done by his agents outside the metropolitan business.

Q. And, therefore, it amounted exactly to the fifteen hundred pounds?—A. No, it did not amount to that exactly. My impression is, that it was either made a little over one dollar a thousand or under it; but it was approximately one dollar a thousand. We gave him that amount as compensation for the time spent in England and for the sending his agents outside the metropolitan district and doing special business during that time.

Q. Did you ever hear Mr. Moss claim that he paid back the whole of that fifteen hundred pounds to Mr. Burnham?—A. I never heard him make that claim.

Q. And do you, or do you not, know that that was proved in the suit brought by Mr. Moss against Mr. Burnham?—A. I do not know that it was proved.

Q. You remember the purchase of what you called the P.P.I. interest: you made a contract by which you stated to pay them some large amount of money. Did you pay any portion of that?—A. There were commissions to be paid on the annual dues as they accrued, and the commissions up to the execution of the second contract, which was February 9, 1897, which we interpreted as the cancellation of that contract, were paid to these trustees.

Q. How much money did you pay them, do you remember?—A. I could not give the amount, but my impression is, that it was somewhere in the neighbourhood of ten or twelve thousand dollars.

Q. You paid ten or twelve thousand dollars on account of it, and then a suit was brought for the balance, and they failed because the court held it was an illegal contract. Is that right or is it not right?—A. It was tried in the United States, and the court decided it was a contract under which the trustees intended to provide by their trust, and that it would not be sustained by the court.

Q. That is, that it was an illegal contract; that is about the result of it?—A. Yes. It was not a contract of reinsurance that was tried. It was the contract with the trustees. The policy-holders at their meeting, called for that purpose, ordered the trustees to turn it over to the Mutual Reserve for the purposes for which it had been communicated.

By the Hon. Mr. Landry:

Q. Have you that document which contains the supplementary report you sent—that sheet explaining about the report?—A. I do not think I have a copy here, but one has been filed. They are at my room.

Q. There are three of those reports. Two of them have a letter annexed on the first page. The third report has the letter bound in by a fastener?—A. Yes.

Q. You remember that?—A. Yes.

Q. Were those copies furnished by those who have the original?—A. Were they certified by the department?

Q. Yes?—A. My impression is, that that one with the pin in it was not certified. That is my impression now, but the other two were certified.

Q. Were those copies obtained from the department?—A. Yes.

Q. Prepared by the department?—A. No, they were not prepared by the department; they were prepared by us. We sent most of them up already prepared, and we certified—

Q. Were they sent to the department with those letters annexed?—A. Yes.

Q. In the three cases?—A. No, the one pinned, my impression is, was not certified at all; but the two others were certified.

Q. In those two cases, was there a document that was glued—one that had been glued before and taken off and another one put on?—A. On one of them you find underneath—I think that a letter that the New York department wrote in answer was on there and taken off. I think that had been taken off. I think there was a place where the paper had been glued and taken off.

Q. Scratched off?—A. Yes.

Q. Part of the cover was gone?—A. Yes.

Q. And a newspaper put in?—A. That paper was pasted above, but there was a place where something had been pasted and taken off. I noticed that. May I make one statement in regard to two or three matters that the counsel has overlooked, about which my explanation was asked, page 34 of No. 3? He asked me for certain discrepancies.

By Mr. Coster, K.C., Counsel for the Committee:

Q. Is this new evidence?—A. No. When you asked me for certain explanations of differences which had gone into the schedule on page 34, the first discrepancy, \$56.92, between the disbursements and schedule C. Schedule C represents expenses simply as regards the real estate owned, while the disbursements given in the schedule for disbursements relate to all of our investments, and the difference was a matter of expenditure in connection with the mortgage. The same is true in 1898 and in 1899 and in 1890, as you will note the difference is against schedule C, while in 1901 it is in favour of schedule C. Those represent the taxes that we disputed with the city of New York and refused to pay, but in 1901 we made the full payment of the taxes for the three years, and, therefore, that covers those discrepancies. I desire also to say that in the expenses of real estate in the early history of these liens, the interest on the investments was charged as an expense and was charged to the amount of \$75,366.

THOMAS BRADSHAW, of the city of Toronto, actuary, sworn and examined by Mr. Geoffrion, counsel for the company.

Q. What is your position?—A. I am actuary of the Imperial Life Insurance Company of Canada, vice-president of that company.

Q. Have you had some experience as an actuary?—A. Yes, I have been about twenty-three years in life insurance.

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Q. Do you belong to any association of actuaries?—A. I am a fellow of the Institute of Actuaries of Great Britain, and a member of the Actuarial Society of America.

Q. Is there any Canadian insurance association of which you are a member?—A. There is the Canadian Life Insurance Officers' Association, an association which combines in its membership practically all of the Canadian and British companies. I am secretary of that association.

Q. Did you prepare and publish any work upon actuarial science?—A. I was one of a committee of three that prepared a work entitled 'Net Premiums and Values based upon the Institute of Actuaries' healthy male table of mortality and premium at three and one-half per cent interest'.

Q. You were one of a committee of three?—A. Yes, the work, I may say, involved in that book which you have, was prepared in the office of the Imperial Life of which I am actuary, and under my direct supervision.

Q. On behalf of whom was it published?—A. It was published on behalf of the Canadian Life Managers' Association.

Q. Was it prepared by this committee of three under instructions from that association?—A. Yes.

Q. The committee was chosen by that association?—A. By that association, yes.

Q. What standing has that work in Canada?—A. It is the standard work of the life insurance companies in Canada for basing premium rates and reserves. I think it is also in use in the Insurance Department of Canada.

Q. Will you please look at this table of rates, published in 1894, the table in use in 1889? Look at page 12, of a book entitled 'Mutual Reserve Fund Life Association of New York,' E. B. Harper, president, and marked for identification. I refer to the rates in the fourth column in heavy figures, and tell us whether these rates which were the rates in force in the Mutual Reserve Fund Life Association in 1889, including \$3 for expenses, were sufficient to maintain an insurance policy through life, level premium, without increase?—A. On one thousand dollars?

Q. Yes, on one thousand dollars?—A. On one thousand dollars?

Q. Yes, on one thousand dollars?—A. No, they would not.

Q. Will you tell us to what extent they would be insufficient?—A. They would run from about twenty-five to fifty per cent below the proper rate for a whole life policy by annual premiums.

Q. Is that a mathematical certainty?—A. Yes.

Q. The question I ask is, whether, under, any system of insurance whatever, these rates were sufficient if maintained level?—A. No.

Q. Your answer applies to any system?—A. There can be only one system.

Q. Would these tables of rates used as level rates for life for apportionment of losses, assessments being made for an amount sufficient to meet all losses, result in an equitable adjustment of cost?—A. No, they would not.

By the Hon. Mr. Béique:

Q. Will you explain the question? What is meant by the question and answer?—A. The rates contained on the twelfth page of the manual of the Mutual Reserve Association, dated 1894, and which has been admitted to be the rates in force, by the Mutual Reserve in 1889, column 4, are not sufficient to furnish an insurance of \$1,000 for the whole of life; that they are insufficient in some ages from twenty-five to fifty per cent.

By Mr. Coster, K.C., Counsel for the Committee:

Q. For instance age 100?—A. Age 100 is not given here. The highest age is 60—at insurable ages.

Q. You take it up to 60?—A. That is the oldest age given in the table, from ages 25 to 60.

By the Hon. Mr Béique:

Q. I think we fully understand the answer you had given in that respect, and which you have repeated, but what we do not understand is the last question put to you by Mr. Geoffrion, and which you have given an answer. The question is—would this table of rates, used as level rates for life for apportionment of losses, assessments being made for an amount sufficient to meet all losses, result in an equitable adjustment of costs? I do not understand the words ‘result in an equitable adjustment of cost’?—A. Even if an addition were made of \$3 per thousand for expenses, these rates would still be insufficient.

By the Chairman:

Q. Insufficient for mutual purposes or for level rate purposes?—A. For whole life insurance.

Q. Which is level?—A. Which is level. It makes no difference whether it is mutual or stock. A man has to die. The mortality is no greater in a mutual than in a stock company.

Q. But the expenses are less? (No answer.)

By Mr. Geoffrion, Counsel for the Company:

Q. Do I understand that a company starting on this basis is either bound to increase its rates or to go into insolvency?—A. Of course that is a big question to answer. The contracts may be re-formed, but these rates are insufficient for any company to guarantee \$1,000 of whole life insurance payable at death.

Q. You stated that this insufficiency of rates was for some ages. What do you mean? Are there some ages for which it is sufficient, and if so, point them out?—A. At age twenty-five the rates contained in this manuel, which has been described, of \$13.80 would, on the basis of four per cent interest, be sufficient, provided there was a proper provision for expenses made.

Q. In addition to the \$13.80?—A. In addition to the \$13.80.

By the Hon. Mr Béique:

Q. What is the \$13.80?—A. At age twenty-five for \$1,000 insurance.

Q. The \$13.80 is the premium?—A. Yes, mentioned in this table.

Q. And it would be sufficient to pay the mortality cost?—A. To pay the policy when it became a claim by death, but there would have to be some provision for expenses.

By the Chairman:

Q. Would not that be largely a matter of opinion as well as experience?—A. All life insurance companies must have a standard of mortality to base their rates upon. It would not be a matter of opinion; it would be a matter of standard rate of mortality.

Q. Does that apply as strongly and effectually to mutual as to stock companies?—A. Equally so.

Q. Then I do not understand how fraternal organizations live?—A. I am speaking now of whole life policies by level premiums.

By the Hon. Mr. Landry:

Q. What is the average duration of life at twenty-five?—A. The expectation of life; I can give you the expectation of life at age twenty-five from one of the mortality tables.

Q. Do I understand it is one of the elements of your calculation?—A. No, it cannot be. It is impossible.

By the Hon. Mr. McSweeney:

Q. Even the old line companies have increased their rates, have they not?—A. Not on the old policy-holders.

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Q. But on new contracts?—A. Yes, on new business the reserve is three and one-half per cent.

By Mr. Geoffrion, Counsel for the Company :

Q. You mentioned that this rate to which we are referring of the Mutual Reserve would at twenty-five years be practically sufficient if there was something added for expenses?—A. Yes, it would be, if there was a proper addition at age twenty-five.

Q. At what age does it begin to be insufficient, even assuming a charge for expenses should be added?—A. In these calculations, the rate of interest is assumed to be four per cent. That is a very favourable rate in view of the date of the rate of interest which money is now earning. At age 30 the rate of the Mutual Reserve, as given on this page, would be insufficient. The rate stated is \$14.22, presumed to be for a whole life policy of \$1,000, payable at death, level annual premium. The rates after that age would all be insufficient.

By the Chairman :

Q. Based on the same proportion?—A. Based on the same table.

By the Hon. Mr. Béique :

Q. Growing more and more insufficient?—A. Yes.

By Mr. Geoffrion, Counsel for the Company :

Q. The insufficiency would increase as the age advances?—A. Yes.

By the Hon. Mr. Landry :

Q. What is the rate at 30 in your table?—A. \$16.69.

Q. Does that include expenses?—A. No, we are not talking about expenses.

Q. Neither in one case nor the other?—A. No, in neither case.

By the Chairman :

Q. So, when the Mutual Reserve started with that table, they did not know much about insurance?—A. I do not know anything about that.

By Mr. Geoffrion, Counsel for the Company :

Q. These tables to which you are referring, as giving correct rates, are based on mortality experience?—A. Yes.

Q. A very extensive mortality experience?—A. Yes, they are based upon the experience of twenty British life offices. They are the tables which are employed generally by life insurance companies in Great Britain, by life insurance companies in Canada, and it is the standard table of mortality referred to in the Insurance Act.

Q. And I understand the tables of mortality based on experience of several other companies approximate practically those tables to which you refer?—A. Very closely.

By the Hon. Mr. Béique :

Q. In regard to the insufficiency of those rates, you have given the comparative figures at age 30 as appearing in this manual of the Mutual Reserve, being \$14.22, and the figures should be, you say?—A. A minimum rate of \$16.69.

Q. There we have the proportion of insufficiency; but what I should like from you is the proportion of insufficiency—the average insufficiency from 30 to 60?—A. I would have to go to each age individually and make a calculation, but I could give you the Mutual Reserve rate at every fifth year if you like, and the proper rate at every fifth year.

Counsel admit that in the rates appearing on page 12 of the Mutual Reserve manual referred to above there is included in every one of those rates an amount of \$3 for expenses.

By the Hon. Mr. Landry :

Q. With \$3 added for expenses in that table, the insufficiency would commence at an earlier age?—A. Yes, at the very beginning.

By the Hon. Mr. Lougheed :

Q. What would you estimate should be the expenses for management of a company of this kind?—A. That is a very broad question. I would not like to venture an opinion on that.

Q. What should be the difference, from your experience of expenses between the two?—A. There are two classes of companies in Canada, a mutual company and a mixed company, the mixed company being a company where there are stock shareholders. The best type, and probably the only type of the regular Mutual Life Insurance Company, is the Mutual Life Insurance Company of Canada, in which there are no stock-holders and in which surplus returns are given to the policy-holders. The rates of the Mutual Life of Canada are practically the same as the rates of a regular life insurance company.

By Mr. Geoffrion, Counsel for the Company :

Q. And the ratio of expenses?—A. And the ratio of expenses approximate somewhat the same. The returns by way of surplus to policy-holders may be better, but I will not say they are in the Mutual Life of Canada. There is no provision whatever for dividends to stock-holders, as there is no stock, and there you have probably the purest type of life insurance.

By the Chairman :

Q. Are the rates higher than those of the Mutual Reserve?—A. They are. We are in constant competition with all the companies in Canada. We know the rates of the Mutual Life of Canada, and they will only vary from about fifty cents per annum to \$1.50 per annum. I do not think the variation will be greater than \$1.50 per thousand. I was comparing the Mutual Life of Canada with a stock company.

By the Hon. Mr. Lougheed :

Q. What, in your judgment, would be the additional rate for expenses in one of the standard companies?—A. That varies according to the plan of insurance. It will vary on the whole life plan from that on the endowment system. It will again vary according to whether the policy is with profits or without profits. A without-profit policy, the addition for expenses in some companies will not amount to more than seven and one-half per cent on the net premium.

By the Hon. Mr. Béique :

Q. Without profits?—A. Without profits; and with profits policies, the addition for expenses to net premium will run all the way from 25 to 33½ per cent.

By the Hon. Mr. Lougheed :

Q. Some companies pay a good deal more than others?—A. It would be necessary to know what those commissions are.

By Mr. Geoffrion, Counsel for the Mutual Reserve :

Q. How much will it amount to per thousand insurance in force?—A. It will vary with the age of the insured. Take age 35; the net premium, according to the Institute of Actuaries healthy male table of mortality, 4 per cent interest, is \$19.69, adding for a without-profit policy, say 10 per cent, if you like, which is a very heavy loading, that would make \$1.97.

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By the Hon. Mr. Watson:

Q. Per thousand?—A. Per thousand for a profit policy, at, say, 30 per cent, which would be about \$6 per thousand; on the with-profit policy the assured is entitled to receive profits when and as the company declares such at the end of each five years, or, if the contract is at the end of each ten years, or if the contract is at the end of each fifteen years, and so on; so that that rate will be reduced by these profits.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. You have given there the loading for expenses, but we want to get what is actually spent—what are all the expenses of a company per thousand?—A. I cannot give you that. I have not looked into that question; that is an individual case.

Q. You cannot give us what is the proportionate expense?—A. I have not investigated the matter in that light.

Q. That can be found in the report?—A. By taking the government reports, I suppose it would.

By the Hon. Mr. Watson:

Q. I am looking for information in this matter; you have taken thirty-five years of age. Would you please give us the average rate of expense on a policy at fifty years of age?—A. On the whole-life system, without profit?

Q. You gave us one and a half dollars on thirty-five, up to six dollars and some cents?—A. On a without-profit policy it would be about \$3.54.

Q. And with profit?—A. And with, it would be between nine and ten dollars.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. There is something I do not exactly understand. You have taken a premium of \$19.59 per thousand at 35?—A. Yes.

Q. You said the loading for expenses would be about \$1.97?—A. For a without-profit policy.

Q. You have no doubt the expenses of companies, as an average, exceeds considerably \$1.97 per thousand of insurance in force?—A. Yes, it would exceed that.

Q. You cannot say how much it would exceed it?—A. No, but as a matter of knowledge, I know that it does exceed that.

By Mr. Coster, K.C., Counsel for the Committee:

Q. To what extent?—A. Well, it would more than double that—a good deal more than double it, probably. Of course, that would depend a good deal upon the age of the company, on the volume of the old business, which is collected for a small percentage, and it would depend upon the progressive character of the company, whether it is seeking business aggressively, and, in consequence thereof, the expenses would be increased.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Is not the only way to verify that fact to take the report of the superintendent and figure it up from all the companies, or any company?—A. It is the only way we can do that.

Q. Have you read questions put to the witness, Mr. Patterson, at the sitting of this Committee, volume No. 5, page 119, and then at the foot of page 121, the last line, and over on page 122? Have you read the questions and answers beginning: 'I will put you some simple questions that I do not attempt to understand myself,' and ending in the middle of that page, by the words 'That should be the net level premiums,' and also page 121, of the same part, the last line, and the whole of page 122?—A. Yes, I have seen those questions and answers.

Q. Are all those questions questions that any actuary should be able to understand, off-hand?—A. Yes, in my opinion.

Q. Do you consider them as being difficult questions in the science, or as elementary?—A. No, they are elementary questions, and I would think that almost any student in the science of life insurance would be able to answer them.

Q. What have you to say, from a scientific point of view, as to the answers that were given to those questions that were answered? Are those answers correct?—A. Some of them are not.

Q. Point out those that are not, in your opinion?—A. For example, 'Who is the author, how does he rank as an actuary?' 'Quite high, first class.' That is a correct answer.

Q. Then the next one: 'Who is he?'—A. That is a matter whether a man has knowledge or not.

Q. Indicate those that are wrong. Take the question: 'Given a table of mortality and a rate of interest, how would you proceed to find a net annual premium for a given amount of insurance?'—A. That answer is absolutely incorrect, from an actuarial standpoint.

Q. Take the question on the last line of page 121, and on page 122?—A. I would consider it a very crude answer.

Q. To which question?—A. That is the one you refer to.

Q. 'What is meant in science by a commutation column?'—A. Yes.

By the Hon. Mr. Béique:

Q. What do you mean by a crude answer?—A. Indefinite.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Is there a well-known definition to actuaries?—A. Yes. I would not think an actuary would answer a question in that style.

Q. Are there any other questions to which you have any remark to make, simply to avoid taking them one by one? Take this question—'I asked you a question a few minutes ago, given a table of mortality,' and so on?—A. I think that is a contradictory answer to the question.

Q. Therefore, it is wrong?—A. It is contradictory.

Q. Does it follow it is wrong? Do you consider that a correct answer or a wrong answer?—A. 'If you want to go the wrong way about it,' is an incorrect answer.

Q. Should any actuary know the name of the author of the Actuaries' Institute Text-book?—A. I think that every actuary would know the name of the author, would know the name of the text-book of the Institute of Actuaries, for the reason that is the only standard text-book on life insurance in Great Britain and on this continent.

Cross-examined by Mr. Coster, K.C., Counsel for the Committee:

Q. You know the Mutual Life Insurance Company of New York, do you not?—A. Yes, by name.

Q. How would their rates compare with that of your company?—A. They would be about the same.

Q. You recognize this as a book of rates of the Mutual Life of New York?—A. It is dated January 1, 1899.

Q. You recognize that as the book of rates?—A. Yes.

Q. Page 139, non-participating rates, at age thirty-five, what is the rate?—A. The rate at age thirty-five, on page 139, of the manual which you have handed to me, which purports to be the manual of the Mutual Life Insurance Company of New York, for a whole life policy without profits, payable at death, premium not increasing with age, is \$21.70.

Q. Per thousand?—A. Yes.

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Q. I will call your attention to page 5 of the same manual, and ask you to read what you find there?—A. The paragraph which I am asked to read, is as follows:—

‘This policy will also be issued on the non-participating plan at lower rates of premiums, on which there will be no surplus, but the policy contains some guarantees of automatic paid-up insurance, cash surrender value, and loans as on the ten and five-year distribution plan. (For rates see page 139.)’

Q. That is the reference?—A. That is the reference.

Q. Twenty-one dollars seventy cents per thousand for twenty years, would amount to how much? It would be \$430, would it not?—A. Yes, sir.

Q. Look at page 23, the second column, and tell me what the cash surrender value at the end of twenty years of that policy would be, according to that table?—A. The cash surrender value on page 23 is for a whole life policy with profits, such profits being distributed at the end of twenty years.

Q. At page 103, give me the cash surrender value at the end of twenty years?—A. At page 103 of the manual, of the Mutual Life Insurance Company of New York, dated January, 1899, page 103, age thirty-five, for a whole life policy with profits, the profits to be distributed either at the end of the tenth year or the fifth year, the cash surrender value of that policy, at the end of the twentieth year, is stated to be \$280.

Q. Has not the non-participating policy the same cash surrender value, according to the statements in that book?—A. I do not think that can be determined from this book, for the reason that it does not say that the same cash surrender values will be given. On the ten and five-year distribution policies contained in this manual, I could not say that the reference on page 5 has reference to the values given on page 103.

Q. When it says, ‘It shall have the same cash surrender value as on the ten and five-year distribution plans,’ you say it does not mean that?—A. I say that I do not know, and cannot state, that it has special reference to the ten and five-year distribution policy referred to on page 103.

Q. In other words, you say it might refer to another policy and not that one?—A. It might refer to the ten and five-year distribution policies, some form of distribution policy issued by the company.

Q. Look in the book, and see if you can find any five or ten-year distribution policy?—A. You do not mean to say that this contains all the policies issued by the Mutual Life of New York?

Q. The ten and five-year distribution referred to there?—A. But it does not state in this book.

Q. Look through the book, and see if you can find any others?—A. I cannot find any others.

Q. So, therefore, if it is not referred to in that table, the table is not in the book?—A. I say I do not know.

Q. You cannot find it?—A. I do not know.

By the Chairman:

Q. You do not know?—A. I cannot tell.

Q. Are you in a position to know whether it would be there or not? Would not your knowledge of the reading enable you to find out whether it is there or not?—A. It is indefinite. I say that you cannot say from that, that that reference has reference to that page.

By Mr. Coster, K C., Counsel for the Committee:

Q. Will you say it is not?—A. I say I cannot say.

Q. You cannot say that it is not?—A. No. The Mutual Life Insurance Company of New York issues a manual, to my knowledge probably three to four times as large is this, containing various plans of insurance. This reference on page 5, does

not connect, in my opinion, sufficiently the figures on page 103, to enable me to say that the reference on page 5 refers to the figures on page 103.

By the Chairman:

Q. Would you leave me under the impression that that reference is a misrepresentation?—A. No.

Q. Why should it be put there?—A. Because the agents of the Mutual Life of New York, which company publishes those books for their information, have other manuals.

By Mr. Coster, K.C., Counsel for the Committee:

Q. But this is a book they canvass on?—A. Yes, and they have others as well.

By the Chairman:

Q. If an agent showed me that book, and pointed out the reference on page 103, I would take it?—A. You would have to accept it.

Q. That would be the word of the company?—A. No.

Q. Do you say insurance is run on false?—A. Oh, no.

Q. If that manual is a correct copy of the instructions given by the company to its agents, you say that is only part?—A. Yes.

By Mr. Coster, K.C., Counsel for the Committee:

Q. You deduct \$280 from \$434, and it would leave \$254, would it not?—A. You are making me a simple sum in subtraction now—no, it leaves \$154.

Q. Or \$7.70 per annum, is it not?—A. Dividing \$154 by twenty gives \$7.70.

Q. That is \$7.70 per annum?—A. Yes.

Q. Take your book in the Mutual Reserve; if the \$280 is right, the \$154 is what the insurance has cost to insure, is it not?—A. No, he has been out that amount for twenty years.

Q. He has been out the interest on his annual premium?—A. Yes, you have to get the interest on that.

Q. Take the Mutual Reserve, the same book we have been using, the rates of 1889, and tell me the cost of life insurance at age 35, in the fifteen-year class?—A. I do not see any fifteen-year class. There is no fifteen-year class there.

Q. Take the rate at age 35, in 1889, in the Mutual Reserve?—A. On page 12, in column 4, opposite age 35, the figures are given as \$14.94.

Q. For twenty years, how much would that come to?—A. \$298.80.

Q. Or how much per annum?—A. \$14.94.

Q. Calculated on the same basis as the other company, or very nearly double?—A. Yes. I have not admitted those figures at all. I cannot answer that question.

By the Chairman:

Q. As far as the figures in the book are concerned, you can answer it; that is you can multiply and add?—A. Yes, but I do not want to give anything more than that.

By Mr. Coster, K.C., Counsel for the Committee:

Q. But assuming the figures are correct, that is the result?—A. No.

Q. In what way is it not?—A. Interest has been left out of consideration.

Q. In both cases?—A. In both cases. In one case, a policy for twenty years is contrasted with a whole life policy, and the contracts are entirely different in their nature, and, therefore, you are not making any comparison whatever. The comparison is thoroughly incorrect.

Q. If those figures are correct, that is the result?—A. No.

Q. Is that not the case?—A. No.

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Q. Why not?—A. In one case, you are presumed to have a policy that continues for the whole of life, and in the other case you have a policy which terminates at the end of twenty years.

Q. It has a cash surrender value at the end of that time?—A. Yes, but you are contrasting a twenty-year term policy with the whole-life.

Q. I could get the cash surrender value, according to these tables?—A. You are contrasting two different contracts.

Q. What is the cost of these two policies? Is it not as I have given it to you?—A. No.

Q. The cost of the protection is not the same for the twenty years?—A. The contracts are entirely different, and you cannot compare costs on different contracts.

Q. Is that not the cost of insurance for twenty years?—A. You must have regard to the condition of the contract at the end of twenty years to define the cost.

Q. One policy has a cash surrender value of \$280 and the other has not; he is covered for a period of twenty years?—A. On the one policy you have a right to continue for life, and on the other if you take the cash surrender value, the contract terminates.

Q. And the other would terminate at the end of twenty years, if you wanted it?—A. But there is no cash surrender value.

Q. Put the question a little differently: say both policies were terminated at the end of twenty years, would that not be the result as I have given it to you?—A. I cannot say, because I have not been able to admit the figures which you have.

Q. But admitting the figures, would this not be right? Say both policies terminate at the end of twenty years?—A. You have left out of consideration the matter of interest.

Q. The interest is left out in both?—A. What is your question?

Q. Is that not the result? Say both policies terminate at the end of twenty years, admitting these figures to be correct, for the sake of argument?—A. In answer to that question, I will say that the operations which I have made in addition, subtraction and division are correct.

Re-examined by Mr. Geoffrion:

Q. Is the inference that has been drawn by the counsel from the operations, that we are asked to make to the effect that the cost of insurance under the Mutual Reserve rate was practically double the cost of insurance under the Mutual Life rates that were shown to you?—A. I do not know. I did not make any inference. (Book marked for identification.)

Q. Take the question of interest, the initial payments in the Mutual Life policy are much larger than the initial payments in the Mutual Reserve?—A. I have to look at the rates of the two companies to compare.

Q. The rates that were given you there?—A. I think the first year the rate in the Mutual Reserve is higher than in the Mutual Life.

Q. I understand you were made to say that the cost of 35 under the pamphlet would be \$21.70 per thousand?—A. Yes.

Q. And in the Mutual Reserve at the same age, the cost of \$14.94, you say. The very first year the cost in the Mutual Reserve is greater than the Mutual Life, because there is the membership fee?—A. Yes.

Q. But in that cost there is included \$8.96, which is an extra cost, payable only in the first year, and not in the subsequent years?—A. Yes.

Q. And the cost leaving aside the extra entrance fee is \$14.94 for the first year?—A. Yes.

Q. So apart from receiving the \$8.96 as entrance fee, the Mutual Reserve receive much less money throughout the twenty years, than the Mutual Life?—A. Yes.

Q. Considerably less?—A. Receives almost the difference between \$14.94 and \$21.70—\$6.77 per annum.

Q. The interest on those payments makes a difference?—A. Of course.

Q. In the second place, as the result of their being paid, in the first years in the Mutual Life, the loading which exceeds the mortality cost, in those years, for the purpose of preventing a subsequent increase in premiums, is not the risk the company runs, generally speaking, as an average, throughout the twenty years less than the face amount of the policy?—A. Yes, each year, under such a contract as would be issued by the Mutual Life of New York, a certain portion of the premiums known as the reserve would be set to one side as a liability. The net amount of risk which the company would run from year to year would be the face of the policy less this increasing reserve under the policy, consequently, as the contract continues, the net cost of the insurance decreases.

Q. On account of those advanced payments?—A. On account of the accumulation of the reserve.

Q. In the third place, I understood you to state that by the fact that the insured claims the cash surrender value in the Mutual Life of New York, he practically converts that policy which was originally a whole life policy, into a twenty-year policy, as far as the risk the company runs, is concerned?—A. Under the policy of the Mutual Life of New York, non-participating, if the cash surrender value is taken at the end of twenty years, the company's liability ceases. The assured has had insurance for twenty years.

Q. In the Mutual Reserve, the member is free to maintain his insurance for ever—till he dies?—A. Yes, I presume so.

Q. These are three important differences between the two contracts?—A. Yes.

Q. And under those circumstances, is it possible to make such a comparison as has been suggested?—A. As I said before it is impossible to compare two entirely different contracts.

By Mr. Coster, K.C., Counsel for the Committee :

Q. You say that the Imperial, your own company, would not give as good a contract as this one referred to, in the Mutual Life, the non-participating policy?—A. I do not think a comparison has yet been instituted between the policies issued by the Mutual Life of New York, and those issued by the Imperial Life.

Q. You say you do not know?—A. I do not think the comparison has been instituted. What is the question?

Q. I am asking you if you would give as cheap a contract as the Mutual Life?—A. I would have to make an examination of the rates, and see how they compared, and the terms of the contract.

Q. Your rates are practically the same as the Mutual Life?—A. Some policies. The participating rates are very close to them. I do not know about the non-participating rates to which I have referred.

By the Hon. Mr. Loughheed :

Q. One question I want to ask you, which seems an anomaly to me. On page 27 of Exhibit 1, there is a schedule of the expenses. I observe, according to Exhibit 16 in No. 1, here is a statement taken from the Insurance Reports (No. 4, page 27). Here is a standard company, whose expenses are in round figures, nearly 200 per cent more than the payments made to policy-holders. In comparison with this company, we find that the payments to policy-holders are nearly twice as much as the expenses. The position is reversed. How would you account for that: that is in one case, under the standard system the expenses are practically two hundred per cent more than the payments made to policy-holders, and under this assessment system which we are inquiring into, we find the expenses are only about one-half of the payments to policy-holders?—A. The expenses of a life insurance company can only be determined by a very careful analysis. I would require first to know the age of the two companies, and I would require to know something in regard to the character of the
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business transacted, the extent of the new business, the general method of conducting the business, before I could give an answer.

Q. Would it not strike you as an extraordinary statement, that the expenses of that company have been, in round figures, two hundred per cent more than the payments to policy-holders? This statement shows that the expenses are \$363,493 against \$188,770 paid to policy-holders. Would it not strike you as an extraordinary statement?—A. No, not without an examination, for the reason that you would have to find out first, what amount of money had been accumulated for risks. You can very well understand that a company in the early years, starting its business, will spend far more, proportionately speaking, than an old company will. In the early years of a company, on the other hand, the payments to policy-holders are comparatively small, for the reason that the lives have been carefully selected, and the deaths are comparatively few. The endowments have not commenced to come in in the early years of the company, and comparatively the payments to policy-holders would naturally be smaller.

Q. Assuming that this business cost \$10.23 a thousand for expenses, will that exceed the average which, according to your judgment in a general way is the cost of expenses for standard insurance companies?—A. It is impossible to answer that question.

Q. Or, in other words, it is impossible to say, looking generally at the cost of expenses, as to whether the company is well administered or not?—A. In some companies, the expense rate is 50 per cent higher than in other companies, and yet in the long run, taking a long period of time, it may be that that company whose expenses are high, is conducting its business more economically than the company whose expenses are low.

Q. In other words, taking the table of expenses of a dozen companies, you cannot tell whether one company is more successfully managed than another?—A. I would not give the snap of my finger for the expenses of a company made up in the ordinary way.

Q. You attach no importance to comparative statements?—A. I do not know anything about the statements.

The Committee then adjourned.

OTTAWA, July 22, 1904.

The Committee met at 10.15 a.m.

JOHN L. CULBERT, of the city of Ottawa, insurance agent, sworn and examined by Mr. Coster, K.C., Counsel for the Committee.

Q. You are the manager here of the Mutual Life Insurance Company of New York?—A. I am.

Q. Look at that book which was referred to yesterday, in the examination of Mr. Bradshaw. Is that a book of rates adopted by the company which you represent?—A. It is a book of rates on the ordinary life plan.

Q. And the contracts mentioned and referred to therein you are willing to give on behalf of the company?—A. Whatever is stated inside there we are willing to fulfil.

Q. Look at page 139 of the book and tell me what it would cost for a non-participating policy per annum at age thirty-five?—A. Do you want a life policy or limited life policy?

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Q. Whole life?—A. At page 35, on the whole life plan, non-participating, the annual premium would be \$21.70.

Q. And that in twenty years would amount to \$434, would it not?—A. Yes.

Q. Now, at the end of twenty years what would the cash surrender value of that policy be? What do you guarantee at the end of twenty years on that policy?—A. The end of the twenty years you would be entitled to automatic paid up insurance—

Q. The cash surrender value?—A. The cash surrender value would be \$280.

Q. And that cash surrender value you would guarantee in a contract with the assured?—A. Yes, it would be an absolute guarantee in the policy.

No cross-examination.

On this 22nd day of July, A.D., 1904, personally came and appeared John A. Highland, book-keeper Mutual Reserve Fund Life Association, of New York, who being duly sworn and examined deposed as follows:—

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. How long have you been in the employ of the Mutual Reserve?—A. For fourteen years.

Q. For what length of time have you been chief book-keeper?—A. For seven years.

Q. And you have a complete knowledge of all the books in the office?—A. I have.

Q. Do you recognize these three papers, being Exhibits 50A, B and C, which purport to contain a résumé of the results of a contract during the year 1897 with one Moton D. Moss?—A. I do.

Q. Are the figures in those three exhibits correct, as taken from the books of the company?—A. They are.

Q. You are acquainted with the system of book-keeping in vogue in respect of the Moss contract of 1897, when it first came into effect?—A. I was.

Q. Was there at any time, during the continuation of the Moss contract of 1897, any change in the method of keeping the books in respect to that contract?—A. Not to my knowledge.

Q. Would you have known, if there was?—A. I would, being chief book-keeper.

Q. Would these three documents previously referred to cover all receipts and expenditures of money under the Moss contract of 1897?—A. They would.

Cross-examined by Mr. Coster, K.C., Counsel for the Committee:

Q. You say this shows all the moneys paid to Moton D. Moss by the company?—A. Under the 1897 contract.

Q. And the credits are all paid by Mr. Moss in cash?—A. What credits?

Q. The credits to him.—A. I do not see any credits, only on Exhibit 50B.

Q. Take 50A: on one side of the account there is the \$628,000, is there not?—A. That is right.

Q. Was that all repaid to the company in cash?—A. No, that represents the amount the company paid out.

Q. How did they get it back?—A. They got it back in the way of premiums received.

Q. That would be cash?—A. Yes.

Q. They got all that back in cash?—A. They got that and that much—they got up to \$678,000.

Q. And this account is made up to what date?—A. This is made up between the dates—

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Q. What dates is it made up to?—A. December 31, 1897, and includes payments made after December 31, 1897, and during 1898.

Q. On that contract?—A. On that contract.

Q. To whom?—A. Payments made after December 31, 1897?

Q. Yes?—A. They were the payments made on account of the retentions by the agents during 1898, \$64,471.13, and on the 15th January, 1898, paid Moton D. Moss on account of this business, \$2,392.06. There were only three items paid after December 31.

Q. Never mind the figures. You say that you, from your own knowledge, know that the company did not lose any money by Moton D. Moss?—A. I know that they did not lose any money.

Q. That is to say, for his agents?—A. Yes.

Q. That every dollar of money advanced to the agents was paid back to the company in cash?—A. What I really stated is, that the business on the first year's premium did not cost over 85 per cent.

Q. But the advances to the agents, \$182,000, was all paid back to the company in cash, either by Moss or his agents?—A. It was either paid back in cash or commissions earned by them.

Q. How much of that would be renewal commission?—A. I could not say. I can only say that commissions on that business, according to the contract of Moton D. Moss, \$1.50 on the five-year plan and 75 cents a thousand on the ten-year plan, running for a period of five years, would amount to \$66,000.

Q. And that was credited to Moss in his account?—A. It was not.

Q. When did you put that into his account?—A. I have never put it in.

Q. That is only a calculation?—A. Yes.

Q. Made for the purpose of estimating this?—A. For the purpose of preparing this. It was not an estimate at all.

Q. You say that, during the year 1897, the first item is, that Moton D. Moss advanced \$247,000 to agents? Is that what that means?—A. It is.

Q. Was he a very wealthy man?—A. I do not know that he was a wealthy man.

Q. Do you know what his contract was?—A. I do.

Q. What was it? How much money was he to get for advances?—A. He was to get \$3,500 per week.

Q. What would it amount to in a year?—A. About \$182,000.

Q. Where did he get the balance?—A. The company advanced him moneys other than the \$3,500.

Q. That is to say, they advanced him up to \$247,000 that year?—A. That is correct.

Q. And that was charged to Moss?—A. To his agents. The advance was charged to Moss, and he accounted for the advances, and they were charged to the agents as he accounted for them.

Q. And the books of the company show Moss's account balanced?—A. Yes.

Q. Nothing due to-day?—A. No.

Q. When were they made to balance as they are now?—A. I think in July, 1898.

Q. They balanced?—A. Yes.

Q. Showing he had gotten no more money than he was entitled to?—A. I could not say that; I could not say how much he got. I only know his account was balanced in 1898.

Q. Balanced as far as book-keeping was concerned?—A. It was.

Q. Who told you to balance it?—A. A book-keeper's warrant came: 'The book-keeper of the Mutual Reserve Fund Life Association will credit Moton D. Moss's account with so much money.'

Q. And you did it?—A. Yes.

Q. And that is all you know about the money being paid in cash?—A. That is all.

Q. Did you receive any cash through these agents yourself?—A. I did not.

Q. Then further than getting an order to credit Moss—that is all you know about it?—A. I only know that the books of the association show—

Q. You got an order to credit him with certain amounts, and you did it?—A. That is perfectly correct.

Q. That is all you know. You do not know whether these are paid or not?—A. Paid to whom?

Q. Paid to any body?—A. There are statements attached to the warrant showing it had been paid.

Q. Nothing was paid to you?—A. No.

By the Hon. Mr. Béique:

Q. Did the books balance? I am not speaking of that particular account. I ask you whether there was for the year a balance made to the books of the company?—A. Yes.

Q. Were they balanced?—A. Yes, every three months.

Q. And for the better information, if the company had not received value from the agents they would not have the books balanced?—A. I do not just catch the question.

Q. If the company had not received value from the agents for the advances which have been made to them by Mr. Moss, would the books of the company have balanced?—A. Well, the books would balance from this fact: we would charge the agent of the company with all the moneys he received and we would credit him with his commissions earned.

By the Hon. Mr. Wilson:

Q. You do not know definitely whether the agents had paid the money in at the time when you balanced your book or not—the moneys advanced by Moss to the agents? Are you in a position to say that that money was paid back to the treasury at the time you balanced the books?—A. I am in a position to state that we received more on account of that business than we paid out on it.

Q. Were the agents' balances made after it?—A. Yes.

Q. You received authority to balance the books from whom?—A. The three officers of the company.

Q. They brought no voucher as to the payment from the agents?—A. No, you do not understand me. Moton D. Moss's accounts were all balanced in July, 1898. They secured a release from him and that voucher has been in evidence, \$37,000 on all his contracts and it was charged to commission accounts.

Q. I can understand that the authorities of the company should order the books balanced, but I want to know whether the advances made by the agents had been paid back by the agents either to himself or into the company?—A. The money was paid back up to the extent that the company should receive. The agent would be entitled to his 65 per cent.

Q. Was the company refunded the money they ought to receive, that you were in a position to know that that money was paid back when you told me a short time ago that the company ordered the books balanced?—A. That was speaking of the three contracts, July, 1898. He asked me if the Moss accounts were balanced.

Q. When did Moss leave?—A. July, 1898.

Q. And you were in a position to say that all the moneys the company ought to receive on account of the advances made by the company had been so received by the company, and you were in a position to say it had been received and placed into the proper quarter before the books were balanced?—A. I am not in a position to state.

By the Hon. Mr. McSweeney:

Q. As a bookkeeper, you would call that writing it off?—A. Do you mean the \$37,000?

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Q. Yes?—A. That was just charged off to commission.

Q. Written off?—A. Yes.

Q. As a bad debt?—A. Yes.

By the Hon. Mr. Béique :

Q. You say that the \$75,000 were written off as bad debts?—A. I say in July, 1898, the three accounts of Moton D. Moss showed that he had about \$37,000 as a debit balance.

Q. Showed that he owned the company about that amount?—A. Yes.

Q. And?—A. And just about the 27th July, 1898, if I remember correctly, there was a warrant prepared crediting all the accounts of Moss and charged to commission account.

Q. Under his contract was he entitled to renewal? Was he entitled on his contract to renewal commissions?—A. Yes.

Q. Which would have amounted to how much?—A. I do not know.

Q. Approximately?—A. I have not any idea. I cannot tell from any papers I have what his commission would be.

Q. Did the company continue to pay him the renewal contracts?—A. They did not.

Q. Then he did not get those renewal contracts?—A. After July, 1898, there was no renewal contracts credited to Moss at all.

Q. You do not know to how much it amounted?—A. No, I do not.

By the Hon. Mr. Wilson :

Q. If Moss was indebted to the company when he left, the books would not balance the day of his discharge?—A. They may have balanced if the renewals had been cashed up.

Q. We are not considering what was to come in at all. When he was discharged from the company, he paid all his indebtedness to the company after considering the renewals that might or might not come in?—A. He had not.

Q. Then he was a debtor to the company?—A. He was.

Q. And upon what grounds do you say that he was liable to the income from the business that he had been obtaining in the country and from the agents? What reason have you to say that he was to receive a certain amount there?—A. On account of his contract.

Q. The contract had ceased when he was dismissed, when he ceased to be a servant?—A. Yes, and in consideration of that they wrote off his account.

Q. They had not received the money, but they balanced the books and considered he was not good and dismissed him?—A. Generally released.

By the Hon. Mr. Watson :

Q. I do not understand you to say that this was written off as a bad debt?—A. No, not as a bad debt—debit balance.

Q. Was Moss, under his contracts, entitled to the payments on renewal policies at the time, in July, 1898?—A. He was.

Q. I think you said you did not know the amount he would be entitled to under his contract?—A. No.

Q. Have you any reason to suppose that in writing that off it was not as an offset for the profits he was entitled to on the renewals under the contract?—A. It was in consideration of that, I should say.

By the Chairman :

Q. He would be entitled to the money on these policies if the policies did not lapse?—A. Correct.

Q. If all the policies lapsed, the company would be out the money?—A. Yes.

By the Hon. Mr. Watson :

Q. Do you consider that when they paid him the \$27,000 they were buying him out of his contract ?—A. Yes.

Q. I should like to ask you if from your experience of the company as a general book-keeper, did you consider it a good arrangement to credit Moss for \$37,000 to buy him out of his contract, in the interests of the company ?—A. I should think it would be considered a good business operation on the part of the company.

By the Hon. Mr. Wilson :

Q. In the second contract will you explain to me what took place or what was the agreement under which this contract expired ?—A. The second one ?

Q. Yes. Was Moss, when he was settled with, in possession of all the proceeds of the business of the agents, or was he not entirely paid off, and did he simply release what he was to get ?—A. He was.

Q. Then the second contract shows that the matter was closed so far as he was concerned ?—A. You are speaking of July, 1898 ?

Q. And if he owed the company at that time so many thousand dollars, as you mentioned, he was settled and paid ?—A. No, he was not; he was written off and charged commission.

Q. The rights to renewals—was that matter not closed with the contract of 1898 ?—A. No, because the renewals went for five years after the termination of the contract.

Mr. COSTER.—The report of the examiner of the state of New York, August 22, 1899, page 20, with reference to the Moss account contains the following statement :—

‘ A reference to “ Account No. 4 ” indicates that the contract of January 7, 1897, contemplated the payment to the general manager of a commission to him on new business in addition to the commissions provided for in the contract to be paid by him to sub-agents, and the amount shows this commission to have been so allowed him to the extent of \$93,810.78, notwithstanding the fact that at the same time his sub-agents were becoming indebted to the association for moneys belonging to it and which they ultimately failed to remit. These unpaid balances of 1897 form the larger portion of the \$244,954.07 of agents’ debit balances to which attention has been called. The value of these accounts could not be reliably ascertained at the date of the last examination, they having been so recently created, but an examination of them at this late day must lead to the conclusion already given in presenting this matter to you, viz. : that they are of nominal value only.’

Q. In the face of that do you say those were all paid in cash ?—A. What paid in cash ?

Q. There is Moss’s agents’ balance, \$247,000 due the company, of nominal value ?—A. I do not know anything about that report at all.

Q. But you say these moneys were not paid ?—A. No. I was ordered to credit Moton D. Moss’s account as \$93,000 overriding commissions. There is no loss under the 1897 contract.

By Mr. Pringle, Counsel for the Mutual Reserve :

Q. Do you know, as a matter of fact, that the company was reimbursed and recouped for all matters in connection with Moss and his contract ?—A. I know that the company was recouped in the matter of the 1897 contract in full, and received the profit beyond all expenses.

Q. And do you know the facts and figures that produce that result ?—A. I do.

Q. On the business which was done by the company through Moss, what amount of commission did it cost the company ?—A. It cost eighty-two and eighty-five one-hundredths per cent, plus the renewals.

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Q. And that was taking into consideration these amounts that had been written off?—A. This includes the 1897 contract entirely.

Q. It is the entire result of the contract of 1897?—A. Yes.

By the Chairman:

Q. Did you not render Moss monthly accounts?—A. That was the custom, to render monthly accounts.

Q. Did you not credit him in this account with 85 per cent?—A. I did not.

On this 22nd day of July, A.D., 1904, personally came and appeared JAMES DALTON, of the city of Ottawa, who, being duly sworn and examined, deposed as follows:—

By the Hon. Mr. McSweeney :

Q. You were a policy-holder in this Mutual Reserve Fund Life?—A. Yes.

Q. What was the amount of your policy?—A. Six thousand dollars.

Q. What time did you go in?—A. 1895.

Q. At what rate per thousand?—A. Upon my word, I am not very clear; I think it was six dollars per thousand.

Q. It cost you about \$234 a year?—A. No, it cost me that the last year I paid.

Q. The first year?—A. The first year, deducting the entrance fees and the expense dues, I think it would be just about half that. That is my recollection.

Q. How long did you continue paying that?—A. Not very long. The rates began to increase somewhat, very shortly after. I think the calls were then about \$6 per year in bi-monthly calls.

Q. When you took your policy, you took it at a fixed rate?—A. Yes.

Q. You thought it would continue until death?—A. That was the assurance given by the agent.

Q. And you think, at the end of four years they commenced to increase the assessment?—A. Yes. Oh, I don't know but what they did the following year.

Q. They increased until 1898?—A. In 1898 it amounted to \$10. The rate per thousand had not increased, but the number of assessments increased from about six to ten assessments up to that time.

Q. And you carried it, I think you said, for about eight years?—A. From that time until about a year ago it contained a uniform number of calls and the rate, too.

Q. And the last year, too?—A. In 1899 or 1898, I am not sure, the calls were increased to, I suppose, the full number that could be collected. There were twelve calls. Not what you call single calls; they were double calls. They were bi-monthly calls.

Q. And they would amount to how much a year?—A. \$23 exactly.

Q. When did you cease paying them?—A. I cannot say the exact date; just about a year.

Q. Why did you cease paying the calls?—A. Well, there was a slight increase then, and it had remained, I thought, among others similarly situated, that we had touched bottom with regard to high rates, as it was generally understood, and I think there was something circulated to that effect, that there would be no more than ten single calls unless the reserve, consisting of \$100,000 or upwards, became exhausted. Then they had power to increase it to \$12, so that in 1898 or 1899 they increased it to twelve. There was no intimation the reserve had been exhausted or reduced in any way, but still we thought surely it would stop there. Well, the number of calls stopped, but the rate began to increase last year, and I remonstrated, and still, not wishing to imperil my policy, I paid that first increase, which was a small one, insignificant in itself, but fearing that it might be the entering wedge for a larger call, I protested, and paid under protest, and the next call that was issued about a month after was considerably larger. I omitted to state that in the communication I had with the agent at the time, he stated that after each birthday henceforward there would be a slight increase, and I supposed then that that slight increase that had been made—for it was

after my birthday—covered that, that that would be all the increase for that year; but the next call, coming about a month afterwards, made a very considerable increase again. They honoured me with two birthdays in one year, and this increase would make the aggregate, if they were continued during the year, which I could not elicit from them whether it would be or not, it would make the increase in the neighbourhood of \$40 increase in a year. So I thought the matter being in that indefinite way, and I could not elicit from the company any assurance that it would be even continued at that, if I were honoured with several birthdays each year afterwards and increased accordingly, that I would be compelled to give up, and I thought I might as well give up at once.

By the Hon. Mr. Béique:

Q. How old are you?—A. I am in my sixty-fourth year.

By Mr. Pringle, Counsel for the Mutual Reserve:

Q. That would make your last assessment at the rate of \$39 per thousand insurance?—A. Yes.

Q. Sixty-five years of age?—A. Yes.

Q. Were you not a member of the Provincial Provident?—A. That was the company.

Q. And I take it that the agent of the Provincial Provident is the man who assured you that the premiums would be fixed?—A. Certainly.

Hon. Mr. LANDRY.—I move that the Committee rise and report the evidence.

Hon. Mr. BÉIQUE —I move in amendment, that Messrs. Cannon and Cameron be heard before this Committee, in reference to the charge published in part one of the evidence taken herein, the two witnesses being in attendance.

The Committee divided on the amendment, which was lost on the following division:—

Contents 3.

Non-contents 7.

The motion to adjourn was carried on the same division reversed.